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## Rise in U.S. Markets Sets Off Alarm Bells

### Japanese Trade Talks Hold Dollar's Fate

By Carl Gewirtz

International Herald Tribune

PARIS — To the delight of Wall Street, an unexpected windstorm lifted the prices of stocks, bonds and the dollar last Friday, but leading analysts failed to join the celebration, warning that a hurricane is about to hit the market.

With traders awestruck at news of a build-up in second-quarter inventories, seen as signaling moderating growth and a halt to rising U.S. interest rates, the analysts' message of approaching danger fell on deaf ears.

In the view of the currency specialists, who are sharply divided about whether or

Japan has its winners and losers in learning to cope with the strong yen, Page 9.

not the Federal Reserve Board will need to continue raising short-term rates, the outlook for the dollar depends entirely on the outcome of the U.S.-Japanese trade talks.

These are aimed at reducing Japan's \$60 billion annual trade surplus with the United States. Washington has threatened to impose trade sanctions if there is no agreement by the end of September.

These talks are the key to unlocking the outflow of money for investment from Japan. The failure of the negotiations up to now has resulted in an appreciation of the yen. Although it has been seen as reducing Japan's trade surplus by pricing its goods

out of world markets, the rise in the yen's value has left Japanese investors sitting with huge foreign-exchange losses on their overseas holdings and unwilling to make new investments.

A trade agreement is widely seen as the assurance Japanese investors are looking for that the incessant upward pressure on the yen has ended. That would free investors to sell yen, depreciating the currency, to buy bonds denominated in dollars and Deutsche marks, on which yields are some 2.5 percentage points higher than at home.

The trade negotiations are the key issue for the dollar's outlook, analysts agree. And they caution that rumors of success or failure over the coming weeks could create volatile movements in exchange rates.

Analysts concur that a failure would sharply weaken the dollar to a new low of 95 yen and drag it down to the low 150s against the Deutsche mark. There is a wide difference over what happens if the talks succeed.

The dollar's rise last week — up 2.3 percent, at 157.45 marks, and 1.8 percent, at 100.45 yen — "gives the dollar a better flavor," said Paul Cherkow, London-based analyst at Union Bank of Switzerland.

But what happens next, he added, depends on the outcome of the trade talks. A successful outcome and "the dollar will rally strongly against the yen, and that will

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U.S. Marines searching Cuban refugees as they arrive at Guantánamo after being picked off rafts in the Florida Straits.

## U.S. Limits Negotiations With Cubans To Refugees

### Castro Moves to Stern Exodus, and Washington Calls the Step 'Positive'

By Tom Kenworthy

Washington Post Service

WASHINGTON — Senior Clinton administration officials on Sunday reaffirmed the United States commitment to a peaceful transition to democracy in Cuba, but rejected suggestions to broaden talks on migration and to offer President Fidel Castro economic incentives to make democratic reforms.

"We're going to have talks with the Cubans on the one subject where we've got something to talk about, and that is migration," said Secretary of State Warren M. Christopher in a broadcast interview.

Steering between what he termed "two fairly extreme viewpoints," Mr. Christopher said the United States stood ready to respond "in a carefully calibrated way" to democratic initiatives by Mr. Castro, but said the United States would not initiate broader talks or ease the 31-year-old trade embargo on Cuba.

"On other subjects, we really don't have very much to say to Castro," Mr. Christopher said. "He knows that we're seeking peaceful change, and I think a talk with him would not be productive on anything broader than the migration issue."

[Mr. Castro ordered his police force and coast guard to bar children and teenagers from leaving aboard unseaworthy rafts and boats fleeing the island, The Associated Press reported Sunday from Havana, quoting a government newspaper.]

It was the first sign the Cuban leader could be cooperating with American efforts to stem the flow of Cubans bound for U.S. shores. Undersecretary of State Peter Tarnoff called the move "limited" but "positive."

[Recent storms that slowed flight from Cuba subsided Sunday, increasing the possibility that more Cubans will take to the sea. A total of 130 refugees were picked up Saturday and taken to the U.S. Navy base at Guantánamo Bay, Cuba, where the administration has announced plans to accommodate up to 60,000 Cuban and Haitian refugees.]

Both Mr. Christopher and Mr. Tarnoff, in a separate interview on Sunday, insisted that the administration was not considering a naval blockade of Cuba to prod political changes.

The pursuit of what Mr. Christopher characterized Sunday as a "steady course, down the middle," comes as the Clinton administration is struggling to cope with the extraordinary exodus of Cubans. The administration announced Saturday that it would open discussions with Cuba on the migration issue, probably this week in New York. The talks are part of a series of discussions on such issues dating back a decade.

Mr. Tarnoff attributed a recent slowdown in the number of refugees to more than just a deterioration in weather and sea conditions, saying that Cubans now realize that they will be intercepted and

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## Theft of Nuclear Materials: Did Germans Overstate Danger?

By Rick Atkinson

Washington Post Service

BERLIN — Two weeks after the seizure by German policemen of a large quantity of contraband plutonium, investigators in Europe and the United States have concluded that the threat to public safety from smuggled radioactive materials may have been substantially exaggerated by German officials.

Those investigating the contraband plutonium and enriched uranium confiscated in Germany this summer acknowledge that they still have more questions than answers about the origins and intended buyers of the material. Nor do they discount the potentially catastrophic consequences of uncurbed nuclear smuggling.

But interviews with officials in Vienna, Frankfurt,

Bonn, Luxembourg and Washington indicate that although the contraband probably came from Russia, there is no firm evidence that it was diverted from nuclear weapons or weapons production lines.

Nor is there evidence that bomb-building fissile material has fallen into unauthorized hands. Nor has proof emerged of an organized "Russian mafia" brokering radioactive contraband or of rogue Third World nations seeking to buy black-market plutonium.

In fact, some law-enforcement officials say they suspect that at least part of the recent uproar may be a case of the tiger chasing its tail — that aggressive undercover sting operations intended to bait and snare nuclear smugglers have created an artificial demand for radioactive material.

A further complication is that the irresistible combination of crime and nuclear bombs has become a campaign issue in Germany as federal elections draw closer this fall. A leading opposition politician asserted last week — without offering any proof — that the government had cynically staged several recent arrests of nuclear crooks to bolster Chancellor Helmut Kohl's law-and-order image.

Experts take pains to stress the gravity of nuclear smuggling, while expressing hope that this month's furor accelerates plans to safeguard nuclear stockpiles.

"We don't have a crisis," one American official said. "We have a serious problem."

All agree that the purity of one contraband plutonium stash recently seized in Germany was particu-

larly alarming, as was the relatively large size of the plutonium cache found in another bust.

"It is serious, but not very serious," said David Kyd, spokesman for the International Atomic Energy Commission in Vienna. "Serious in that the quality of some samples is exceptionally high, but not very serious in that there's no indication of organized trafficking here."

He added that "there doesn't appear to be anybody big-time out there in a purchasing mode."

Harald Müller, a nonproliferation expert at Frankfurt's Peace Research Institute, added: "My guess is we're still dealing with a trickle and not with a stream. As long as it's only a trickle, we have an opportunity to stem the stream. But that supposes

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## Clinton Alchemists Trying To Save Face on Health Plan

By Douglas Jehl

New York Times Service

WASHINGTON — Eight months ago, President Bill Clinton stood before Congress and vowed a pen that he vowed to use to veto any measure that did not guarantee universal health-care coverage. Now the White House has begun laying the groundwork for him to wave a flag of truce.

Mr. Clinton's aides are aware of the potential embarrassment in accepting merely incremental health-care legislation.

But they also believe they can offset any acceptance of a more modest achievement by reviving the president's campaign im-

prompted insurance companies to lower their rates. Mr. McLarty said, "There is no question that the prospect of earnest reform has improved the outlook for consumers."

In truth, Mr. Clinton had long ago laid aside his veto pen, presenting an elastic bottom line on what might constitute universal coverage. Similarly, Democrats in Congress had, with the White House's approval, dropped "Clinton plan" from any description of legislation they favored.

Even so, the enduring image of Mr. Clinton's waving a veto pen before a joint session of Congress is one that critics have long relished being able to hold against him.

But senior White House officials say they are confident the gesture will prove nowhere nearly as damaging as George Bush's "no new taxes" line, particularly if Mr. Clinton portrays any compromise he might embrace as simply a "down payment."

That confidence may be in part whistling in the dark. But it also reflects both the new wind in the administration's sails from the passage of the crime bill last week, as well as some lessons from the summerlong tussle it took to get the bill passed.

One lesson is that even when Mr. Clinton has had to make significant concessions, the word that appears in the headlines is "victory," not "cave-in." Another is that the best way to avoid being cast as a

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Commerce Secretary Ronald H. Brown on Sunday at the Great Wall in China.

## Beijing Frees Dissident as U.S. Official Arrives

Compiled by Our Staff From Dispatches

BEIJING — Police released a prominent dissident on Sunday, 12 hours after his detention overshadowed the arrival of a U.S. cabinet member on a visit to increase trade.

The dissident, Wang Dan, 24, a student leader in the 1989 Tiananmen Square pro-democracy demonstrations, was released after the police talked to him about his protest activities.

"They were worried that if they let me go I would create trouble," he said. But he said he was released with no conditions.

Mr. Wang had been detained Saturday, shortly before the arrival in Beijing of Commerce Secretary Ronald H. Brown, who came with two dozen American corporate executives on a mission to improve the prospects of U.S. firms competing for business in China.

Mr. Brown's visit is the first by a cabinet member since President Bill Clinton's decision in May to end the linkage between China's performance on human rights and its preferred trading status with the United States.

"Obviously we're disturbed about any reports of that kind," Mr. Brown said of the detention. He promised to raise such matters in meetings this week.

When Mr. Clinton severed the link between China's rights progress and its trad-

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## East Germans Recall the Good in the Bad Old Days

By Stephen Kinzer

New York Times Service

LUCKENWALDE, Germany — The thousands of people who crowded into this town for a recent rock concert came not only to hear the Puhdys, once the most popular band in East Germany, but also to revel in their East German past.

Asel Badura, who lives near the arena here, watched from his window as concertgoers streamed by. He was not surprised by the turnout.

Part of the appeal is that people want to hear the music they grew up with, but

that isn't the whole explanation," Mr. Badura said. "People are saying that not everything in East Germany was bad."

"In the old days we didn't have a crime problem, we didn't have traffic jams, we didn't have trouble finding kindergarten places for our kids, and nobody had to worry about being thrown out of work. For a while after unification, people were ashamed to admit that they had grown up in East Germany, but now we're starting to be proud of it."

At the concert, the distinctive aromas of Cabinet and F6 cigarettes, which were popular in East Germany and are still made in Saxony and Thuringia, hung over the crowd. Vendors did a brisk business in T-shirts bearing old advertisements for East German products ranging from detergents to tampons.

A wave of nostalgia for the era of Communist rule is spreading. For many, it does not reflect a desire to return to the repressive old days, but a growing sense of self-confidence.

That feeling is clearly on display at dozens of stores that specialize in local prod-

ucts. For a time after unification, easterners shunned their own goods in favor of those made in the West, but no longer. Now eastern products are proudly advertised with slogans like "Beer From Here" and "East-Made."

Many easterners say they have stopped trying to like the dry white wines popular in the West and have returned to the sweet reds they grew up with. They are buying their familiar mild mustard again instead of the sharper brands favored in the West, and flock to bakeries for bread and cakes made by "old East German recipes."

Travel agents in Eastern Germany say that bookings for trips to Tunisia and the Canary Islands, popular among West Germans, have fallen sharply, while tours to East European destinations like Romania and Bulgaria are often sold out. Some travelers even use their old East German passports, many of which are valid until the end of 1995.

"It's medicine against a disease they brought on themselves, which is shattered self-confidence and loss of identity," said Monika Maron, a prominent writer who

left East Germany in 1988. "Now anyone who eats mustard from Bautzen or bratwurst from Thuringia can feel like a resistance fighter."

Some celebrations of the East German past are meant as satire, like the theme parties that are increasingly popular at night clubs and colleges. At these parties, giant photos of Erich Honecker and other deposed Communist leaders hang on the walls. Visitors are often admitted free if they wear the blue blouses that once marked them as members of the Communist youth group.

Perhaps the most visible symbol of East Germany was the Trabant, a slow-moving, exhaust-spewing car that is no longer in production. In the euphoria of German unification, many in the East couldn't wait to dump their Trabants, abandoning them by the hundreds along back roads. Lately, they have become collector's items.

Many Trabants, as they were known, are now seen decorated in bright colors that were unavailable in East Germany. One

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### Kiosk

## Viacom Sells N.Y.'s 'Garden'

NEW YORK (Bloomberg) — ITT Corp. and Cablevision Systems Inc. announced Sunday that they had agreed to buy Viacom Inc.'s Madison Square Garden for \$1.075 billion.

The two companies won an auction against a unit of Tele-Communications Inc., the nation's biggest cable company, for sports and entertainment properties that include the nation's largest regional cable television sports network, a 20,000-seat arena, a performance theater and the New York Knicks and New York Rangers sports teams.

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## Russian Presses Serbs to Accept Border Patrols

By Jonathan Randal

Washington Post Service

BELGRADE — Foreign Minister Andrei V. Kozirev of Russia arrived here Sunday amid speculation that Serbia would accept international monitors along its border with the Bosnian Serbians in exchange for an easing of United Nations sanctions.

Mr. Kozirev met with President Slobodan Milosevic of Serbia, who has consistently refused such border inspectors in the past.

Such a deal would further isolate Bosnia's self-styled "Serb Republic," which on Sunday concluded a two-day vote widely expected to reject an internationally approved plan for ending the 28-month-old Bosnian conflict.

Western diplomats said that as many as 400 international observers could be stationed inside Serbia to monitor about 50 major crossing points with rebel Serb-held territory in Bosnia to ensure compliance with an arms and trade embargo.

In exchange, the United Nations would begin easing sanctions imposed in 1992 against the rump Yugoslav Federation of Serbia and Montenegro, specifically reopening the Belgrade airport for international flights and authorizing some international cultural and sporting ties.

Gradually easing sanctions "would be a victory for Milosevic in that it marks a big shift in the attitude of the international community," a Western diplomat said. "It had always said that no sanctions would be lifted until a peace agreement in Bosnia was signed, but now we are talking about lifting some sanctions without any such signature."

Helping explain Mr. Milosevic's change

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Newstand Prices	
Andorra	9.00 FF
Antilles	11.20 FF
Comoros	1.400 CFA
Egypt	1.500 CFA
France	9.00 FF
Ghana	900 CFA
Green	300 Dr.
Italy	2.800 Lire
Ivory Coast	1.120 CFA
Jordan	1.100 J.D.
Lebanon	US\$ 1.50
Luxembourg	62 L. Fr
Morocco	12 Dh
Qatar	8.00 Rials
Reunion	11.20 FF
Saudi Arabia	9.20 R.
Senegal	900 CFA
Somalia	200 PTAS
Tunisia	1.000 Din
Turkey	35,000
U.A.E.	8.50 Dirh
U.S.M.	1.00



## Taxing the German Establishment

By Brandon Mitchener  
International Herald Tribune  
ST. INGBERT, Germany

In a nation where economists generally fit the description of eminences grises, Michael Köhne is anything but—at least, not yet.

For one thing, he is 33 years old. For another, he is most familiar to economics students at his alma mater, the University of Saarbrücken, more than half of whom have attended the private prep school he established after his graduation in 1989.

But since the April publication of his first book, "The Invisible Moose: How the Government Defrauds Taxpayers of Their Savings," Mr. Köhne has gained a reputation as an enfant terrible among the German establishment. Its reactions have ranged from indignation to anger.

"No comment," said Olaf Sievert, the president of the Bundesbank's regional branch for Saxony and Thuringia and former professor who has privately advised Mr. Köhne to show more restraint.

"Ambitious but unknown," said Wolfgang Benkert, another former professor with whom Mr. Köhne began but never finished a doctoral dissertation.

Finance Minister Theo Waigel, on the other hand, agreed in a letter with Mr. Köhne's guiding principle that "excessive taxation jeopardizes growth."

Mr. Köhne, unimpressed, said Mr. Waigel apparently chose to ignore the book's political criticism amid preparations for elections this fall.

The man of the hour himself, although decidedly popu-

lar in tone and appearance, is bright, intense and modest about his academic and scientific achievements.

Someone who "didn't worry about maximizing his grades as a student," Mr. Köhne reads at least, not yet.

### Up and Coming

An occasional series about the leaders of tomorrow.

ly admits that many of his ideas were invented by others, including Irving Fisher, the Nobel economist James Buchanan and Arthur Laffer of Laffer Curve fame.

"What's new is the presentation," Mr. Köhne said.

And how. While Mr. Fisher worked with basic textbook diagrams and Mr. Laffer with a two-dimensional graph to show that some tax assessments can be counterproductive, Mr. Köhne operates with what he calls the "3-D Turbo Laffer Curve" that includes an axis for time in addition to the standard axes for the tax rate and the tax funds collected.

Interacting with his 486 computer in a suite of offices reminiscent of a college dormitory, Mr. Köhne conjures up graph after graph to illustrate his message that a government that thinks long-term should tax savings and investments at a rate approaching zero in order to maximize its own income and encourage accumulation of private savings.

"The government gets the most when the tax on investment income is zero because wealth creates more wealth, which can be taxed in other

ways," including via consumption, he explained in a reasonable tone of voice.

In his book, which he wrote as a satire and published himself, the passage that justifies the title reads: "A welfare state turns the invisible hand of Adam Smith into an invisible rope on which the taxpayer from whom nothing more can be gained is strung up."

Although the idea is not entirely original, it is increasingly popular in a country with one of the world's highest rates of taxation on enterprise and investment and is contributing fresh controversy to a grassroots tax revolt already germinating among individuals and small-business men nationwide.

Karsten Kleemeyer, who employs 25 people at a small bedsprings factory in Wagenfeld, said he first saw Mr. Köhne's book on a neighbor's coffee table, borrowed it for a few days and then ordered six copies for himself and a few close friends.

"The book is making the rounds," he said, noting that Mr. Köhne's message was one which "had to be said."

"The German Mittelstand" of small and medium-sized businesses "is the milk cow of our nation," said Mr. Kleemeyer. "We pay the most taxes and get the least attention. It's very sad, and a lot of us are very badly frustrated."

The Federation of German Taxpayers, a Bonn-based lobbying group that recently asserted that 28 of Germany's 38 taxes were superfluous, said Mr. Köhne's message "sounds radical" but agreed that its guiding principle was the same. "A simpler tax system

would breathe life in the economy, and the government could end up collecting more money, not less. We say the best tax reform is elimination of taxes."

Though he denies harboring any political ambitions and describes himself as the product of a "typical German working-class family" from Warstein, Mr. Köhne is well aware of the political dynamite packed by a book like his in a year with 19 elections, including federal parliamentary elections on Oct. 16 that might mark the end of two decades of Christian Democratic sway.

"If you, too, are sick of Bonn's amateuristic fiscal policy and the ever growing plunder of the taxpayers, read this book—preferably before you go to cast your next vote," he implores inside the book's cover.

Inside, he rails against "growing legions of superfluous bureaucrats and politicians" who have established an unsustainable welfare state.

A vote for the Christian Democratic Union, he wrote, "is a vote for the state of Brussels bureaucrats and therefore a vote against freedom and democracy."

The Christian Democrats' junior coalition partner, the Liberals, has been corrupted by proximity to power.

The Social Democratic Party, which aspires to power, "is still dogged by a Marxist class-struggle mentality."

The opposition Greens, on the other hand, "are completely justified" in their calls for an ecological reform of German taxation.

In an ideal world, explained

Mr. Köhne, governments would tax consumption and leave investments alone.

They do not, he says, because politicians focus on a four-year, election-relevant time horizon rather than the long-term view that risks being penny-f foolish in order to be pound-wise.

But Mr. Benkert, Mr. Köhne's former dissertation adviser, said politicians' short-term outlooks were a fact of life that Mr. Köhne is naive to dismiss. "Mr. Laffer was right, too, but no one was able to put his ideas into practice," he said.

Nevertheless, Mr. Köhne is confident his ideas will at least be read and discussed. "Some of my students are being told to read it for the university," he noted with pride.

"It's realistic that the ideas in the books provoke discussion and change," he said.

The uncompromising idealist also said he had no plans to seek a university teaching position. "Why should I?" he asked rhetorically. "It's much too bureaucratic. And by providing students help on the side, I've already privatized a part of the state economy."



Michael Köhne has nothing for Bonn's tax inspectors.

## WORLD BRIEFS

### Business Leader Seeks Berlin Post

BERLIN (NYT)—Germany's best-known businessman, Eberhard Reuter, outgoing chairman of the Daimler-Benz conglomerate, has declared his interest in becoming mayor of Berlin. Mr. Reuter, 66, is a member of the Social Democratic Party, but told the newspaper Der Spiegel that he would prefer to preside over a coalition government like the one that now holds power in Berlin.

Mr. Reuter said he was not prepared to run in next year's campaign for mayor, but that he would serve if called upon by party leaders after the election. Under the German system, voters cast ballots for the party of their choice, and party leaders then choose a mayor who can win the support of a majority of city council members.

### Tensions Rise in Italian Government

ROME (Reuters)—Tensions rose Sunday in the government of Prime Minister Silvio Berlusconi after Justice Minister Alfredo Biondi threatened to resign and the speaker of the lower house of Parliament assailed Italy's liberal abortion law.

The fresh wave of bickering over the issues of abortion and judicial reform, Mr. Biondi said Sunday that he would resign from the government if a package of measures aimed at reducing the number of inmates in Italy's overcrowded prisons was not swiftly approved by the cabinet.

The speaker of the lower house, Irene Pivetti, a member of the Northern League, urged at a youth conference over the weekend that Catholics reassert themselves in politics and fight to repeal the abortion law. Abortion on demand during the first three months of pregnancy has been legal in Italy since 1978.

### Greece Tightens Albanian Border

KSAMIL, Albania (Reuters)—Greece has tightened controls at its sea and land borders with Albania after expelling about 24,000 illegal Albanian immigrants in the last two weeks, Albanians living near border posts said Sunday.

Albanians deported from Greece in the last few days said it was dangerous to cross the southern Albanian border because Greek special police forces had begun to open fire without warning. Some said that Greece had deployed patrol boats in the narrow channel separating the Albanian coast from the Greek island of Corfu and that it was now impossible to make the crossing.

### Successful Launch for Japan Rocket

TOKYO (AP)—Japan's space program got a long-delayed lift on Sunday when the domestically developed H-II rocket got off the ground after two failed launching attempts in Japan.

The rocket—the first to be developed entirely in Japan—took off as scheduled from Tanegashima, an island 615 miles (985 kilometers) southwest of Tokyo. The H-II was carrying a 2-ton government satellite and a geostationary orbit 36,000 kilometers above the earth for telecommunications research, marking Japan's entry into the satellite-launching business.

## TRAVEL UPDATE

### Osaka's Airport Will Finally Open

TOKYO (AFP)—It has been an engineer's nightmare and a magnet for terrorist wrath, but on Monday, Japan inaugurates its \$15 billion International Kansai Airport, a mammoth project on the sea near Osaka designed to become the main gateway to Asia. The airport, which took eight years to complete, will be the most expensive in the world to use. It has been built on an artificial island in Osaka Bay, 5 kilometers from Japan's third-largest city. The task of throwing 150 million cubic meters of earth into the 18-meter-deep ocean and then stabilizing the reclaimed land while work was continuing on the surface proved to be a nightmare. The problems delayed the opening of the airport by 18 months, and increased the cost by 50 percent.

The French police said Sunday that they were hunting for the people who hurled large stones, road signs and jerrycans at cars in heavy traffic on autoroutes south of Orange, seriously injuring two motorists. One was in critical condition in a Marseille hospital. A score of cars and three trucks crashed. (Reuters)

Thousands of British stores legally opened their doors for business for the first time Sunday. Under a law passed in December, shops can now open for six hours on Sunday. Most of the country's major supermarkets and chain stores have ignored the Sunday business ban, in operation since 1950, for years. (AFP)

### This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Britain, Gibraltar, Hong Kong, Macao.

TUESDAY: Peru, Turkey.

WEDNESDAY: Afghanistan, Kyrgyzstan, Malaysia.

THURSDAY: Central African Republic, Libya.

FRIDAY: Vietnam.

SATURDAY: Monaco, Qatar, San Marino.

Sources: J.P. Morgan, Reuters.

## As Tourists Film, Mother Dies Trying to Save Girl

MONT SAINT-MICHEL, France—Dozens of tourists at the ancient abbey of Mont Saint-Michel impressively watched and even videotaped a young mother who drowned while trying to save her child.

The incident, which occurred last Monday, was reported over the weekend to the French press by merchants at the celebrated landmark who were outraged by the visitors' callous behavior.

Residents reported hearing one tourist say, "I got the whole thing on tape."

On Monday, a 6-year-old girl, Victoire Guillemet, and her mother, Marie-Noelle, were walking along the base of the hill when the child fell into a deep water hole.

As the frantic mother tried to save her, tourists apparently watched without trying to intervene or search for rescuers. Some videotaped the incident.

A café owner, his curiosity aroused by the tourists staying in the same place, realized what was happening and ran to find two firemen. They were able to save the girl, but not the mother.

## Q&A: Getting Aid to Rwanda Only Part of Solving the Problem

Andrew Bearpark is the head of the Emergency Aid Department at the Overseas Development Administration, the aid-giving arm of the British Foreign Office. He spoke in London with Erik Ipsen of the International Herald Tribune.

Q. Aid agencies have been criticized for doing too little, too late in Rwanda. Is that fair?

A. In terms of the amount of aid flowing from the donor countries to Rwanda at the moment, the quantities are very, very significant. It is not fair to say that the effort is too little. It is certainly a very difficult effort because logistically it is a nightmare of a place to try to get aid to. As a result you've got bottlenecks at airports, etc.

Q. And the timing of the aid?

A. I think it would have been very difficult to foresee the rate of movement of people across the border into Zaire much earlier than it actually happened. I was there two days before the exodus started. You could see it was

about to start, but I think it would have been very difficult two weeks prior to that to say, "I think this is what is going to happen." Besides which, a certain amount of work was done in advance of the mass movements into Goma. In retrospect it wasn't enough. But when you are making contingency plans like that, they have a cost attached to them. It is a question of how much you can invest in stocks of things that may or may not be required.

Q. Is there anything to suggest that the donors are getting any better at this sort of aid effort?

A. There are some encouraging signs. The collaboration and coordination that we have seen between agencies this time is significantly better than we've seen in some previous situations. But it is a process. It is not a case of "yes, you've definitely got it right."

It is important not to overestimate the ease of coordination. There is somebody in charge in terms of coordi-

nation. The UN's department of Humanitarian Affairs working through the UNRWO, the Rwanda Emergency Office, is in charge of overall coordination. But they are trying to coordinate an incredible array of forces from the American military, with all of their might, to small nongovernmental organizations who may employ people who do not even like being coordinated.

Q. Critics say that in situations like Somalia, Bosnia and now Rwanda, we are treating only the symptoms, not the disease itself.

A. Certainly, aid agencies would accept that they are never the full answer. We are only part of the answer. What we do have to be seen in the context of a political process which is resolving the problem. Otherwise our effort would be largely wasted. But there is no point in curing the disease if the patient is already dead.

If one can find ways to prevent conflicts occurring, that would be the sin-

gle best investment anyone could ever make in humanitarian relief. We and, I know, the United Nations as well are certainly moving in the direction of conflict resolution and preventive diplomacy. But if the need for it arises, then humanitarian relief should be provided. It is wrong that babies have to be operated on without anesthesia. It is wrong that children starve to death.

Q. There has been talk in recent weeks of the crush of refugees from Rwanda to Afghanistan being simply too great for aid agencies to cope with.

A. The problem of refugee movements has grown phenomenally in recent years, and all the agencies involved are under amazing pressure to try to provide services. They do that at the time when media interest in these subjects is absolutely intense.

Q. What is the media's role in this?

A. The spotlight is on humanitarian aid. Ten years ago or even five years ago, horrible events could take place

and there was not the pressure for the outside world to actually do something about it which exists today, when you have got 24-hour rolling news and satellite TV crews on scene within hours.

Q. Is that not a good thing?

A. From a humanitarian point of view, it is certainly quite right that these events are brought to the public's attention. But the media can create a distortion of effort in that they tend to focus on only one crisis at a time. But that is not the way the world actually works. Public opinion pressed by the media can sometimes push you down the path of responding to a certain crisis and ignoring other crises.

Q. Such as what?

A. The classic example at the moment must be that Rwanda, which is an absolutely horrific and awful tragedy, is the one that is getting all the world's attention. Conditions in parts of Bosnia are just as bad as they have ever been, but Bosnia is totally off the TV screen. Meanwhile, conditions in Angola are pretty horrific, too.

## U.S. to Evaluate Russia's Air Safety, at Its Request

By Lee Hockstader

Washington Post Service

MOSCOW — The United States is about to launch a sweeping inspection of Russia's airlines and air safety controls that will be the most comprehensive evaluation of one country's civil aviation system ever undertaken by another.

The review, to be done by the Federal Aviation Administration at the request of Russian authorities, comes after three serious air crashes in Russia this year and months of dire warnings about the dangers of flying in Russia.

The warnings include an unusual State Department travel advisory, issued last month, that amounts to a virtual ban on routine flying within Russia for U.S. government employees and diplomats until the results of the evaluation are known.

The Federal Aviation Administration review is a response to concerns that Russian air carriers do not meet international safety standards. It arose in part from concerns that Russia's aviation oversight system might receive a poor rating in a "technical assessment" of the sort the American agency carries out in smaller countries when a new airline wants permission to fly to the United States.

That, in turn, could jeopardize the status of Russia's 40 or so weekly flights to the United States. By undertaking a broader, cooperative evaluation, the agency hopes to coax Russian authorities into addressing

what many see as yawning holes in their air safety procedures before a more exacting technical assessment is done.

"It's unprecedented, but we think it's worth the time and effort," said Anthony J. Broderick, the agency's associate administrator for regulation and certification.

A high-ranking agency team, scheduled to arrive here soon, plans to fan out across the country to scrutinize regional aviation regimes. The review is to be paid for by the Federal Aviation Administration and the U.S. Agency for International Development.

Of particular concern is the extent to which Russia's new regional airlines — spinoffs

from the once-monolithic state airline Aeroflot — are meeting international safety standards.

There are nearly 300 of these "baby-flots" scattered around the country, many of them lacking the resources and experience to repair, maintain and operate the planes they inherited. And while these spinoff airlines are still state-owned, it is unclear how effectively they are regulated by the government.

Aviation administration officials, while acknowledging the lapses in Russian air safety, tend to dismiss much of the publicity about aviation here as alarmist. Mr. Broderick, for example, said some of Aeroflot's terrible reputation is a by-product of its dismal cabin ser-

vice and standards of hygiene. Planes without seat belts, passengers in aisles and baggage on seats are not uncommon on domestic flights.

"But if you compare Russian safety data with other parts of the world, they are not way out of line," Mr. Broderick said. "From a safety analysis point of view, it does not appear as bad as Western media would have you believe." Nonetheless, he acknowledged that "it's a little or a lot worse than in the U.S."

The inspection will cover almost every aspect of aviation such as air traffic control, maintenance, standards, certification, accident investigation and governmental regulatory structure.

## U.S. Payment Set For Foreigners in Iraqi Incident

Compiled by Our Staff From Dispatches

WASHINGTON — The United States will pay \$100,000 to family members of each of the 11 foreigners who were killed last April when U.S. Air Force fighter jets mistakenly shot down two army helicopters over northern Iraq.

In a statement, the Pentagon said Defense Secretary William J. Perry was authorizing the payments as a humanitarian gesture, not because they were mandated under U.S. or international law.

The foreign nationals on board the two Black Hawk helicopters included British, Turkish and French military personnel. In addition, there were five Kurdish workers who were employed by the U.S. government.

In London, Mick Thompson, the father of a British soldier killed by U.S. gunfire in the Gulf War complained that he was ignored while Washington paid compensation for the two British officers killed in April. Mr. Thompson's son, Lee, and eight other British soldiers were killed in February 1991 when two American A-10 aircraft mistakenly fired on their armored cars in action in Iraq. (WFP, AP)

## London Suggests New Flexibility on Irish Partition

By James F. Clarity

New York Times Service

DUBLIN — With expectations rising here and in Northern Ireland that the outlawed Irish Republican Army is about to announce a cease-fire in the north, the British government moved over the weekend to indicate flexibility on the IRA's basic and historic demand: an end to the partition of Ireland into the province of Ulster and the Irish Republic.

On Saturday, in a move that surprised

officials and independent analysts, the Northern Ireland Office, the seat of British authority in the province, announced that the section of Northern Ireland Act of 1920 that established partition was now irrelevant and "pretty much a red herring."

The statement said that other British law superseded the 1920 act and already provided that a change in the status of the province was possible if the majority of the population wanted it. Protestant political leaders oppose change that would sever the union with Britain.

[Sinn Fein, the IRA's political wing, said Sunday that "essential ingredients" may be in place for a peace strategy, Reuters reported from Belfast. Gerry Adams, the Sinn Fein leader, gave his assessment of peace prospects in a joint statement after talks Sunday with the moderate nationalist politician John Hume.]

Analysis said the British statement would be welcome to both the IRA, its political wing, Sinn Fein, and the Irish government.

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# THE AMERICAS / WHAT A SHOW

## ★ POLITICAL NOTES ★

### Rwanda and Cuba: Who's Going to Pay?

WASHINGTON — With the Pentagon's relief mission in Rwanda and the refugee interdiction effort in the Caribbean, the Clinton administration has undertaken open-ended commitments costing millions of dollars a day without agreement on how to pay for them.

Administration officials and congressional sources have scrambled to calculate how much the operations actually cost and to identify sources of funding, as several agencies tried to fight off efforts to raid their budgets.

Congress has appropriated \$50 million for refugee relief in Rwanda, and an additional \$170 million is pending in the fiscal 1995 defense appropriations bill. But \$151 million had already been spent as of a week ago, administration officials said.

The fiscal picture is even murkier in the Caribbean. No funds have been made available for the campaign to intercept, transport, feed and house tens of thousands of Cubans and Haitians who have been sent to camps at the U.S. naval base in Guantanamo Bay, Cuba.

In effect, officials said, the navy and other military services are carrying out the interdiction campaign and absorbing the costs, hoping to get the money back later — a situation that is stirring concern among members of Congress worried about reports that shortages of funds are forcing the Pentagon to cancel some training exercises and stretch out weapons purchases.

The Pentagon spokesman, Dennis Boxer, said \$230 million had been spent on the Haitian refugees alone in the current fiscal year. That figure is certain to grow rapidly because the number of Cubans at Guantanamo Bay is already nearly equal to the number of Haitians.

Total spending seems certain to rise into the billions of dollars because even if no more refugees are interned, those already at Guantanamo will have to be cared for until the governments in their home countries change — a prospect that does not appear imminent, despite the Clinton administration's efforts to put pressure on the regimes. (WP)

### Jackson Hints He'll Challenge Clinton

WASHINGTON — After harshly criticizing the compromise anti-crime bill that cleared Congress, the Reverend Jesse L. Jackson has strongly hinted that he may challenge President Bill Clinton in 1996 in the Democratic primaries or as an independent.

Mr. Jackson, who was rebuffed by Mr. Clinton more than once in the 1992 campaign, did not go so far as to say he would run. But he encouraged such speculation at a breakfast with reporters.

"It's wide open," Mr. Jackson said. Asked if he considered himself a threat to Mr. Clinton, he replied: "I don't see myself as a threat. I see myself as therapy."

Recalling what he called the failed promises of the administration, Mr. Jackson said black and urban Americans had been neglected. He said that jobs had been sent to Mexico with the North American Free Trade Agreement and that "the bottom line is, urban America today is more abandoned and more alienated."

Asked what he liked about Mr. Clinton, Mr. Jackson offered more criticism than praise. "I like his vision, the hope he generated," he said. "And yet in the crunch, the promises were negotiable. It seems as if what he knows is in one column and what he does is in another."

And in an interview later, Mr. Jackson was even stronger in hinting about running. "The option that would have the most impact," he told The Associated Press, "would be the independent option in the general election."

Mr. Jackson ran unsuccessfully for the Democratic presidential nomination in 1984 and 1988 and has worked to register minority voters in the South. (NYT)

### Quote/Unquote

Jules Feiffer, the cartoonist and a regular on Martha's Vineyard, on Mr. Clinton, who began his vacation on the island over the weekend: "Give the poor guy a break. He's been beaten bloody by everyone, including myself." (NYT)

## U.S. Focus on Cuba Lets Haiti Regroup

By Douglas Farah

Washington Post Service

PORT-AU-PRINCE, Haiti

The sudden U.S. preoccupation with Cuba has forced the redeployment of ships enforcing the international embargo against Haiti, enabling the island's military leadership and wealthy merchants to rebuild their smuggling networks, sources say.

The result has been a noticeable increase in luxury goods and gasoline products in Port-au-Prince, brought in over land and by sea from the neighboring Dominican Republic.

In Washington, Pentagon officials acknowledged that, while 14 navy ships had been stationed off Haiti earlier in the summer, only six were there now, plus two foreign frigates. But they said that earlier in the summer the Coast Guard pick-up fleet had been helping Haitians, a flow that has ended.

"Any notion that the Cédras regime is off the hook is seriously mistaken," said a Pentagon spokesman, speaking of the Haitian junta led by Lieutenant General Raoul Cédras. "We continue to have a significant presence in the Caribbean around Haiti that is supported by other nations' vessels."

[Peter Tarnoff, U.S. undersecretary of state for political affairs, said Sunday that military intervention was still possible. Agence France-Press reported from Washington.]

"We are proceeding to plan for a possible intervention in Haiti under the terms of the UN Security Council Resolution 940," he said in a broadcast interview.

In an effort to force the military to allow the return of the ousted president, the Reverend Jean-Bertrand Aristide, the United Nations, led by the United States, placed Haiti under a nearly complete commercial embargo on May 21 and deployed a number of ships off the coast to enforce the measure.

The vast majority of Haiti's 7 million residents have seen their purchasing power decline daily

under the embargo, with inflation robbing the local currency, the gourde, of 40 percent of its value in the last month alone.

But dealers in luxury goods and petroleum products, after a few months of hard times, are again doing a brisk business, calculated largely in dollars.

The Clinton administration's present distraction is not the first time U.S. policy on Haiti has been influenced by events elsewhere.

In October, after the Haitian military agreed to a UN-brokered peace plan to allow the return of Mr. Aristide, U.S. forces began taking casualties in Somalia. When a hostile crowd gathered at the port here, the Pentagon refused to let a shipload of U.S. and Canadian trainers disembark.

On September 5th, the IHT will publish a Special Report on

## Debating the Great Debaters

### Public Seems Unamused by Rhetoric in Capital

By Dirk Johnson

New York Times Service

CHICAGO — The customers in the coffee shop were talking politics: health care, the deficit, mandatory prison sentences.

A television behind the counter was tuned to the news. As the screen flashed on the U.S. Senate, the crowd grew quiet, waiting for some impassioned oratory from that august chamber.

What they saw was Alfonse M. D'Amato, the Republican senator from New York, bouncing jovially and singing to the tune of "Old MacDonald."

"Here a pork, there a pork, everywhere a pork-pork," standing next to a huge picture of a pink pig feeding at a trough, intended to symbolize the waste in the crime bill, which the Senate passed Thursday by a vote of 61 to 38.

The next image on the screen was that of Senator Frank R. Lautenberg, Democrat of New Jersey, countering Mr. D'Amato's claims with none-too-subtle references to what gets shoveled out of a pigpen.

A restaurant worker shook his head in disbelief and mumbled something in Spanish. Several patrons groaned in embarrassment.

"What a show," sighed Joe Riehl, 37, a video technician. "I don't think we can lay much hope on the guys in Washington coming up with answers to our problems."

Americans seem to be little amused by the state of affairs in the nation's capital these days. Judging from dozens of interviews around the country, from suburban cul-de-sacs to gang-haunted pockets of tattered urban neighborhoods to little towns ringed by cornfields, voters increasingly see a government so riven by partisanship that civic duty seems to have become an afterthought and the truth as malleable as putty.

Even President Bill Clinton's success in pressing Congress to approve a bill intended to fight crime — an issue that most Americans say is

their top concern — has left many voters confused about what exactly is in the bill or has been taken out after all the wrangling, and skeptical about what the legislation can accomplish.

"It's all smoke and mirrors," groused Wayne Konecny, 38, a union pipefitter, clutching a coffee thermos and a rolled-up newspaper as he waited to board an El train in Chicago.

"It's not going to do anything but raise my taxes," he said. "The Democrats want more social programs. The Republicans want more prisons. Neither one's going to do any good."

Pitted against gang members, he continued, "What's a social worker going to do? And the prisons — they're filling them up with two-bit druggies, while the kingpins walk."

The problem is, we got \$5-an-hour jobs in a world where it takes \$10 an hour to live," he said. "And none of these politicians got any solutions for that."

The shifting political alliances on the crime bill left many wondering whom to trust. "Every body is for a bill that claims to be against crime," said Tex Griffin, 52, a lawyer.

"And I'm generally pleased that it passed. But I'm not sure how much good it will do. And the whole thing was just so much posturing."

To Mr. Riehl, the video technician, politicians are little more than actors.

"In this day and age, the television is the constituent and they're all playing to it," he said. "And so much of it is all for show. You'll see one politician calling another one names. But when it's all over, and the cameras have stopped rolling, I'm sure they get together and go out for dinner. It's just all part of the game."

Bill Biagi, 32, of Chicago, has stopped reading the news from Washington.

"After awhile, you get so disgusted and fed up you just turn off," said Mr. Biagi, a computer programmer.

## Narrowing the Simpson Case

### Pre-Trial Pace Steps Up as Legal Strategies Take Shape

By Jim Newton

Los Angeles Times Service

LOS ANGELES — With three weeks left before the scheduled start of O.J. Simpson's murder trial, a rapid-fire series of developments have brought the case into sharper focus, narrowing some of the options for defense attorneys and forcing both sides to gamble as they build their trial strategies.

Last week, several of the building blocks were set in place in the case against Mr. Simpson, who has proclaimed his innocence in the face of charges that he murdered his former wife, Nicole Brown Simpson, 35, and her friend Ronald Lyle Goldman, 25, on June 12. Each new development alters the emerging strategies of the two sides, who are moving to bring the case to trial on Sept. 19.

The strategy considerations are subtle and complex, in part because the case is moving to trial before all the evidence has been gathered and analyzed. Moreover, the high level of publicity creates an especially tricky challenge for Mr. Simpson's attorneys, who are conducting the delicate dual task of trying to challenge every potential weakness in the government case without signaling to prospective jurors that they are in any way desperate.

"That is a very, very real concern to us," Robert L. Shapiro, Mr. Simpson's lead attorney, said Saturday. "As lawyers we have a legal obligation to raise all legal and factual issues as they are presented. There is a risk that members of the public who do not have a complete understanding of our obligation will think that this is some sort of diversionary tactic."

Among the recent developments shaping strategy for both sides are revelations that the latest round of DNA tests point to Mr. Simpson, 47, as the source of a blood drop at the scene of the killings and that

hair samples from a knit cap discovered near the bodies resembles Mr. Simpson's.

A ruling from Superior Court Judge Lance A. Ito last Friday also cleared the way for prosecutors to go ahead with their DNA testing, a setback for defense attorneys that some experts nevertheless believe may ultimately work in Mr. Simpson's favor.

The defense has scored most of its points by attacking the government case — detectives have been accused of lying, prosecutors of deceiving and analysts of performing slipshod work. That may be undermining the confidence that prospective jurors have in the evidence, legal analysts said.

Some experts credit Mr. Simpson's defense team with contesting the government lawyers at every opportunity and with using the pretrial hearings to erode the sense that the police and prosecutors have built an open-and-shut case against the former football star.

"That's their job," said Barry Levin, a criminal defense lawyer and former Los Angeles police officer.

The attack strategy is especially risky, some legal experts say, because observers may grow weary of the challenges to witnesses and come to conclude that Mr. Simpson's lawyers are prepared to vilify anyone who offers evidence against their client.

"Even to me, as a defense attorney, it seems that they look more and more like they're defending a guilty guy," said Harold W. Braun. "That's some-

thing they need to be careful about."

But Laurie Levenson, a Loyola Law School professor and former federal prosecutor, said the defense approach could send inadvertent messages to potential jurors.

"That's always the danger of the shotgun defense," she said. "It seems hard to believe that everyone associated with the case made a mistake or is out to get O.J. Simpson. It's contrary to your common sense."



**TWO GOLFING BILLS** — The founder and chief executive officer of Microsoft Corp., Bill Gates, replacing the flag after holding it for President Bill Clinton as the two play a round of golf during Mr. Clinton's vacation on Martha's Vineyard in Massachusetts.

### Away From Politics

● A tornado whipped through the central Wisconsin town of Big Flax, killing two people, injuring seven and crushing the municipal building "like a soda can," a National Guardsman said. A second tornado, in Eau Claire County, Wisconsin, killed two people, including a 3-year-old girl.

● In the first open-heart surgery done on an ape, a medical team worked for seven hours Saturday to repair a life-threatening hole in the heart of a young orangutan at the San

Diego Zoo. The prognosis for the animal is excellent, the lead surgeon said.

● A Swarthmore College student has filed a lawsuit seeking to block readmission of a male student whom she accused last fall of stalking her after she refused to date him.

● A permanent ban on new offshore oil drilling along the entire 1,100 mile length of the California coast has been endorsed by the State Senate, which returned the legislation to the State Assembly for a final vote.

AP, LAT, NYT

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## The Wreck of the Revolution

### Cubans Live on Diet of Worry, Uncertainty and Struggle

By Roberto Suro

Washington Post Service

HAVANA — Cuba today is a nation waiting nervously for something to happen. Ever since the demise of Communism in the Soviet Union three Augusts ago, Cuba has been an economic and political orphan. It has suffered a precipitous decline and has yet to

#### REPORTER'S NOTEBOOK

take on a new identity. There seems to be a widespread conviction, expressed by ordinary citizens and foreign analysts and in the subtext of President Fidel Castro's statements, that something has to change.

For a correspondent returning to Cuba after an absence of 17 years, the most notable change is in expectations. During two extended reporting trips in the mid-1970s, it was obvious that some Cubans believed in Communism, some hated it and many just went along with it. But everyone knew there was a functioning system that handed out rewards and punishments on a predictable basis.

All of that has been replaced by a profound worry that Mr. Castro's reign could end in bloodshed, uncertainty about the nation's present course and an exhausting daily struggle for survival that consumes all but the most privileged.

In the 1970s, few visitors left without a tour of Alamar, a new town built east of Havana as the revolution's showpiece.

Using East European technology, "micro-brigades" of future residents constructed their own apartment buildings out of prefabricated concrete slabs. Although spartan, the dwellings offered better housing than most of the poor in Cuba or anywhere else in Latin America could expect. The apartments were awarded to people on the basis of exceptional performance at work and zealous participation in Communist Party organizations.

Now the bright paint and tropical plants that had relieved the drab uniformity are gone, and many buildings are obviously in need of repair. But the changes at Alamar are more than cosmetic.

On a recent afternoon, the only good news in one section of the town was the arrival of a tanker truck. There had not been any water in the pipes for three days. A strong, heavyset woman set down two big plastic buckets and rubbed the palms of her hands.

"This is how I spend my days," she said. "To get food for your family, water, soap to clean with, to find a way to get your children clothes — that is a full-time occupation."

This is not simple poverty as it is experienced in the rest of the world. The woman was not suffering because she was poor but because Cuba is a wreck. She lives with her husband, sister and two children in a one-bedroom apartment.

"You can spend 10 years working on a micro-brigade, and you'll get nothing because they are building so little," she said.

The revolution can no longer hold out any carrots, and it does not have many sticks, either.

At a government dispensary in central Havana one morning, three men stood discussing the meager provisions they got with their ration books and the black-market maneuvering they had to do to secure dollars to buy food at special foreign-exchange stores.

One of their neighbors, a gray-haired man, stopped in, and they identified him as the chief of the local Committee for the Defense of the Revolution, but they kept on voicing their complaints. In the past, those committees, organized on every block in every town, could ruin someone's life by merely suggesting that they lacked zeal.

"Now the militants are too busy trying to keep themselves alive like everybody else to bother much with denouncing anyone," said one of the complainers.

## CUBA: U.S. Rejects Widening Talks Beyond Refugees

Continued from Page 1

taken to the Guantanamo base and will "not be allowed to be processed for admission into the United States."

The administration's response to the refugee crisis came under fire Sunday from both Democratic and Republican congressional leaders, who accused the White House of being too reactive and inflexible.

"I think the urgent need now is for the president of the United States to spell out fairly soon what the objectives of our policy are in Cuba," said Representative Lee H. Hamilton, Democrat of Indiana, chairman of the House Foreign Affairs Committee. Calling the White

House actions to date "very reactive," Mr. Hamilton urged the administration to be more creative in promoting political change in Cuba.

"I think we've had a lot of experience in recent years about how you move a Communist country to freedom," Mr. Hamilton said. "And the lesson of that is to broaden and to intensify contacts."

Both Mr. Hamilton and Senator Richard G. Lugar, Republican of Indiana, said the trade embargo against Cuba should not be lifted, but strongly suggested it could be weakened in exchange for favorable political actions by Mr. Castro.

"I would suggest that we not shy away from talks with Cuba

or with other Cubans," said Mr. Lugar, a senior Republican on the Senate Foreign Relations Committee. "Our government should be fully capable, as a great power, of talking with anyone."

But the State Department officials categorically rejected such advice. "Our policy objective is to help achieve a democratic society in Cuba with a free-market economy, the liberation of political prisoners and an open political system," Mr. Tarnoff said.

But, he added, "we're not going to negotiate broader questions with them," nor consider an easing of the economic embargo.

## Roundups In Morocco Protested By Algeria

The Associated Press

ALGIERS — Algeria on Sunday protested police roundups and harassment of its nationals in Morocco in an escalating dispute between the North African neighbors.

The protest came a day after Algeria announced the "temporary" closure of the land border following orders by both countries requiring entry visas for each other's nationals. Morocco imposed the controls first, after two Algerians were arrested Friday and accused of plotting attacks on banks, security forces and citizens.

Morocco arrested the pair during a manhunt for robbers who shot to death two Spanish tourists in the lobby of a hotel in Marrakesh.

Algerian media have reported accounts of indiscriminate sweeps by Moroccan police against Algerian visitors. Algerian-registered cars are stopped and the occupants taken to police stations where they are insulted, pushed around, questioned and fingerprinted, the reports say.

Moroccan newspapers have characterized the hotel robbery as part of a "destabilization" campaign, while the Spanish press has raised the specter of Algeria's Islamic rebellion spilling into Morocco.

Morocco's Interior Ministry eased visa rules to allow special entry passes for Algerians through Tuesday, if they "justify their ignorance" of the rule and show pressing need.

The passes, obtained at border posts, could help Algerian residents of Europe on vacation in their homeland to return via Morocco and Gibraltar.

Hundreds of such people were stranded at the border Saturday. They worried about returning on time to work or school in Europe after being told that obtaining entry visas could take weeks.

The state airline Air Algérie scheduled special flights to and from Casablanca, Morocco's largest city, on Sunday to repatriate Algerians stuck in Morocco, state-run radio reported.

The government also urged the national ferry company and the state railroad to give priority to bringing home stranded Algerians.

The long-hostile neighbors had mended fences in recent years, as Algeria wound down support for Polisario rebels disputing Moroccan control of the Western Sahara.

Visas had not been required since at least 1990, when the Maghreb Arab Union — which includes Libya, Tunisia and Mauritania — lowered border controls. But the border has become an entry point for arms and Islamic fighters opposing Algeria's government.

Some 14,000 Algerians live in Morocco, and 119,000 Moroccans in Algeria. About a million Algerians visit Morocco annually. Tens of thousands of Europe-bound Algerians cross Morocco each year.



Bosnian Serb soldiers voting Sunday near Sarajevo on a referendum on an international peace plan for Bosnia.

## SERBS: Russian Urges Milosevic to Allow Monitors Along Bosnian Border

Continued from Page 1

of heart was his growing concern about the cumulatively punishing economic sanctions on Serbia and the international community's threat of tightening them if Mr. Milosevic again rejected the border monitors.

As for the international community, manifest weariness has replaced once-high hopes of bringing the Serbs in Serbia and Bosnia to heel and forcing the Bosnian Serbs to give up major conquests, which now amount to more than 70 percent of the territory of Bosnia-Herzegovina.

Mr. Milosevic announced his own arms

and trade embargo on Bosnia's rebel Serbs on Aug. 4, foreshadowing yet another shift in a long series of tactical moves that have made his name a Balkan byword for political maneuvering.

A close adviser of Mr. Milosevic's recently said privately that the Serbian leader was "personally in favor of monitors."

"The problem is selling it to the public," the adviser said.

"Nothing he does right now can be seen as bowing to Western threats," he added. "All has to be done in the name of peace."

Mr. Milosevic shifted the debate this

week to the necessity for peace despite some shrill nationalist accusations that he was betraying the cause of Greater Serbia by blocking the Bosnian Serbs.

He masterminded a debate in Serbia's Parliament on Thursday and Friday, deftly winning an overwhelming endorsement for the peace plan and isolating the nationalist opposition, which was reduced to staging a walkout.

Western diplomats have suggested that many border monitors could be drawn from the corps of unarmed European Union observers first dispatched to the former Yugoslavia in 1992.

## Unity Marks New Jericho Era

By Caryle Murphy

Washington Post Service

JERICHO — Three months after Palestinian self-rule began, this town's Israeli-appointed mayor officially resigned Sunday, handing over power to a new council comprised of members from all the major Palestinian political factions.

Standing under a picture of Yasser Arafat in his office of 14 years, Jamil Khalaf gave his desk keys, his official car, a rubber stamp of the municipality and a pile of dog-eared financial records to Hassan Saleh, chairman of the new council.

"Now, thank God, I'm free," said Mr. Khalaf, adding that he had asked Mr. Arafat to accept his resignation. The new council "will have to start from zero and work," he said. "We are starting with our test to have peace, to be a democracy."

The council of 13 members is a significant achievement because of the participation of all the political parties, including the Islamic Resistance Movement, Hamas, and the Popular Front for the Liberation of Palestine, which both reject the self-rule accord with Israel.

"If a dog bites a man it's not news. But if a man bites a dog

it's news. So now, if we have unity among the Palestinians, it's news," said Saab Erekat.

As minister of local government in the Palestinian self-rule authority, Mr. Erekat brokered the long and arduous negotiations that preceded the council's formation.

"I think it's a very, very important day not only for Jericho but for the Palestinian people to have been able to achieve a national unity list with the participation of all the parties," he added.

His success contrasts with the troubles encountered in Gaza, where the new mayor appointed by Mr. Arafat took too long in setting up a city council. Mr. Arafat replaced him and approved a council heavy with supporters of his Fatah faction and without the consent of other political groups.

This West Bank town near the Dead Sea, a lush oasis of banana and palm trees surrounded by parched mountains, is the other half of the Gaza-Jericho First, as the self-rule deal is sometimes called.

Though better off than Gaza, Jericho residents have felt somewhat neglected by the new Palestinian authority, most of

whose officials have set up shop in Gaza rather than here.

Dressed in white shirts and white kaffiyahs, Palestinian notables from other West Bank cities, who hope to replicate soon what happened here, crowded into the mayor's office to offer congratulations.

Outside in the street, a children's choir sang the Palestinian anthem, and a banner announced that "Jericho is embodying unity in its municipal council."

Mr. Saleh, a native of Jericho, an El Fatah member and a former PLO military commander, said, "We have taken over a city which is completely destroyed." He said he hoped donor countries "will sense these problems we are facing and will help us. We have no choice but to succeed."

Among the problems the new city council faces is an economic recession. "We have a very weak government, they do not have control over so many things," said Kamel Ramawi, a shoe merchant. "We were hoping there would be some economic projects. The economy here is zero."

## CHINA: Dissident Freed

Continued from Page 1

ing privileges three months ago, he said he was convinced the Chinese would act to improve human rights if the issue were separated from the threat of sanctions.

However, human rights activists have said that since then, Beijing has ceased all progress on human rights issues, including the release of political prisoners, an accounting of political prisoners and the opening of prisons to inspections by the Red Cross.

The activists point in particular to the closed trial in Beijing of more than a dozen people who were active in the 1989 democracy movement and the continued detention of Wei Jingsheng, a leading dissident who was arrested on the eve of a visit to China by Secretary of State Warren M. Christopher last March. More than a dozen other dissidents were also detained by authorities before and during Mr. Christopher's visit.

Last week, the wife of a political prisoner who opposed China's bid for the Summer Olympic Games in the year 2000 said her husband, Qin Yongming, had been badly beaten while in a labor camp in June and July. And on Thursday, before his detention, Mr. Wang complained that more than a dozen police had been stationed outside his home and had followed him wherever he went.

"They don't allow me, a citizen, to live the life of a normal person in China," Mr. Wang said. "And this is simply because I represent a different point of view."

Mr. Wang had been a leader of the democracy demonstrations that were crushed by the Chinese Army in 1989. He was arrested that year and sentenced to four years in prison. He was paroled in February 1993, six months before his sentence was to end, and since then has pursued business opportunities.

Mr. Brown said the business executives he is traveling with have been urged by human rights activists to press China on rights issues, but they have played down that aspect of their trip. Mr. Brown had earlier said he would mention human rights issues at "the appropriate time."

(AP, WP, Reuters)

## DOLLAR: Rise in U.S. Markets Sets Off Alarm Bells

Continued from Page 1

help pull the dollar up against all other currencies. His target is 107 yen and 1.65 marks.

But London-based analysts at Citibank and J.P. Morgan are less sanguine. Neil MacKinnon at Citicautions that for multiple reasons "we're a long way from a resumption of significant capital outflows from Japan even if there is a trade agreement."

And regardless of how much the dollar might strengthen against the yen, both he and Avinash Persaud at Morgan agree that the outlook for the mark remains strong, as the German economy is expanding faster than expected and interest rates are unlikely to be cut soon.

Mr. Persaud also noted that "if the rally in the U.S. bond market is fuel for the dollar, both are headed for a brick wall."

The Morgan specialists expect the August reports of the purchasing managers' survey Thursday followed by employment data on Friday will squash hopes that economic growth is slowing significantly enough to forestall further big increases in short-term interest rates.

Mr. MacKinnon scoffed at reports that last Friday's rise in bond prices was pulling foreign investors back into dollar investments.

"We saw lots of price action in the exchange market, a typical late Friday reaction by trad-

ers to cover short positions," he noted. "We're not seeing buying based on medium- and long-term investment decisions. Fund managers remain on the sidelines, unwilling to build up their dollar holdings."

For Simon Crane, an adviser on the market's technical performance, Friday's surge in the dollar's value "does not alter the big picture of a weak dollar."

"It's now near the upper limit of its current trading range," he said, adding that he expects it to run into considerable selling pressure as it nears 1.60 marks and 102 yen.

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Herald Tribune

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Among the topics to be covered are:

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- China's Three Gorges dam, the world's largest hydropower project.
- The \$20 billion Hong Kong airport.
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An extra 1,000 copies of the supplement will be distributed in Jakarta on October 17th at the World Infrastructure Forum - Asia 1994, to which the IHT has been appointed the Official Publication.

For further information, please contact Bill Mahler in Paris at (33-1) 46 37 93 78, fax (33-1) 46 37 50 44.

Herald Tribune

## CLINTON: Waving Truce Flag

Continued from Page 1

waffler is to how to some fixed principle, such as the assault weapons ban.

That argument may be a bit disingenuous. While Mr. Clinton drew the line on keeping an assault weapons ban in the crime bill, what he is hanging onto in health care is nothing that will bring about universal coverage, merely his determination to get it.

And with Democrats bracing for heavy losses in the midterm elections, even Mr. Clinton's chief of staff, Leon E. Panetta, said last week that he recognized the difficulty of going any further next year, given "the more conservative edge" expected in the Congress that returns to Washington in January.

Mr. Panetta cited that looming change as a reason Democrats must now begin to work hand-in-hand with moderate Republicans to seek common ground on health care, as they did on crime.

But it is also clear that the

show of compromise is part of a strategy of portraying Mr. Clinton as someone determined to get things done, even if that requires being flexible, while casting Republican leaders as determined to block action at all costs.

That approach meshes with the kind of changes Mr. Panetta has been pushing.

He has tried to get the president to appear less dogmatic and quicker to own up to mistakes. And he has stressed that Mr. Clinton's overall mandate from the 1992 campaign was to fight for change in the broadest sense, not to win any particular point by any particular time.

## Basque Policemen Burned

Reuters

SAN SEBASTIAN, Spain — Two Basque policemen were burned when a firebomb was hurled into their car as protests against the extradition from Uruguay of three alleged Basque separatists continued, the police said Sunday.

## EAST: Recalling Good

Continued from Page 1

Berlin mechanic, Harald Erpel, has split a Trabi and welded an American-made limousine into the middle. He rents his coach, complete with chauffeur, television and minibar, for parties and weddings.

"Business is booming," he said. "The Trabi is beloved like never before."

Nostalgia for East Germany has a serious side, reflected most clearly in the revival of the Communist Party. Party leaders have found that campaigns stressing the positive aspects of East German life and faulting westerners for arrogantly refusing to acknowledge them pay off handsomely at the polls.

Eastern politicians from other parties also seek to encourage a sense of indigenous self-confidence. One of the region's most popular figures, Regine Hildebrandt, who is responsible for social policy in Brandenburg, likes to tell audiences, "We're someone again."

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Algeria	000 12	Armenia	003-1000	Austria	1-800-877-8000	Bahrain	00974-1-877
Angola	000 13	Australia	1-800-877-8000	Belgium	1-800-877-8000	Bangladesh	00880-1-877
Argentina	000 14	Canada	1-800-877-8000	Bulgaria	1-800-877-8000	Barbados	00868-1-877
Armenia	000 15	Chile	1-800-877-8000	Cameroon	1-800-877-8000	Belize	00501-1-877
Australia	000 16	China	1-800-877-8000	Canada	1-800-877-8000	Bhutan	00975-1-877
Austria	000 17	Colombia	1-800-877-8000	Chile	1-800-877-8000	Burkina Faso	00229-1-877
Bahamas	00868-1-877	Cuba	1-800-877-8000	China	1-800-877-8000	Burundi	00258-1-877
Bahrain	00974-1-877	Czech Republic	1-800-877-8000	Colombia	1-800-877-8000	Cambodia	00855-1-877
Barbados	00868-1-877	Denmark	1-800-877-8000	Croatia	1-800-877-8000	Cameroon	00237-1-877
Belgium	1-800-877-8000	Egypt	1-800-877-8000	Cuba	1-800-877-8000	Canada	1-800-877-8000
Belize	00501-1-877	France	1-800-877-8000	Cyprus	1-800-877-8000	Chad	00923-1-877
Bhutan	00975-1-877	Germany	1-800-877-8000	Czech Republic	1-800-877-8000	Chile	1-800-877-8000
Bolivia	00591-1-877	Greece	1-800-877-8000	Denmark	1-800-877-8000	China	1-800-877-8000
Bosnia and Herzegovina	00381-1-877	Hungary	1-800-877-8000	Egypt	1-800-877-8000	Colombia	1-800-877-8000
Brazil	0055-1-877	Iceland	1-800-877-8000	France	1-800-877-8000	Croatia	1-800-877-8000
Bulgaria	1-800-877-8000	India	1-800-877-8000	Finland	1-800-877-8000	Cuba	1-800-877-8000
Burkina Faso	00229-1-877	Indonesia	1-800-877-8000	France	1-800-877-8000	Cyprus	1-800-877-8000
Burundi	00258-1-877	Japan	1-800-877-8000	Germany	1-800-877-8000	Czech Republic	1-800-877-8000
Cambodia	00855-1-877	Korea	1-800-877-8000	Hungary	1-800-877-8000	Denmark	1-800-877-8000
Cameroon	00237-1-877	Laos	1-800-877-8000	Iceland	1-800-877-8000	Egypt	1-800-877-8000
Canada	1-800-877-8000	Lebanon	1-800-877-8000	India	1-800-877-8000	France	1-800-877-8000
Chad	00923-1-877	Malaysia	1-800-877-8000	Indonesia	1-800-877-8000	Finland	1-800-877-8000
Chile	1-800-877-8000	Mexico	1-800-877-8000	Japan	1-800-877-8000	France	1-800-877-8000
China	1-800-877-8000	Moldova	1-800-877-8000	Korea	1-800-877-8000	Germany	1-800-877-8000
Colombia	1-800-877-8000	Monaco	1-800-877-8000	Laos	1-800-877-8000	Greece	1-800-877-8000
Croatia	1-800-877-8000	Norway	1-800-877-8000	Lebanon	1-800-877-8000	Hungary	1-800-877-8000
Cuba	1-800-877-8000	Pakistan	1-800-877-8000	Lebanon	1-800-877-8000	Iceland	1-800-877-8000
Cy		Pakistan	1-800-877-8000	Malaysia	1-800-877-8000	India	1-800-877-8000
Cyprus	1-800-877-8000	Peru	1-800-877-8000	Maldives	1-800-877-8000	Indonesia	1-800-877-8000
Czech Republic	1-800-877-8000	Poland	1-800-877-8000	Mali	1-800-877-8000	Iran	1-800-877-8000
Denmark	1-800-877-8000	Romania	1-800-877-8000	Mexico	1-800-877-8000	Iraq	1-800-877-8000
Egypt	1-800-877-8000	Russia	1-800-877-8000	Moldova	1-800-877-8000	Israel	1-800-877-8000
France	1-800-877-8000	Saudi Arabia	1-800-877-8000	Monaco	1-800-877-8000	Italy	1-800-877-8000
Germany	1-800-877-8000	Singapore	1-800-877-8000	Norway	1-800-877-8000	Japan	1-800-877-8000
Greece	1-800-877-8000	Sri Lanka	1-800-877-8000	Pakistan	1-800-877-8000	Korea	1-800-877-8000
Hungary	1-800-877-8000	Taiwan	1-800-877-8000	Peru	1-800-877-8000	Laos	1-800-877-8000
Iceland	1-800-877-8000	Thailand	1-800-877-8000	Poland	1-800-877-8000	Lebanon	1-800-877-8000
India	1-800-877-8000	Turkey	1-800-877-8000	Romania	1-800-877-8000	Malaysia	1-800-877-8000
Indonesia	1-800-877-8000	Ukraine	1-800-877-8000	Russia	1-800-877-8000	Mexico	1-800-877-8000
Iran	1-800-877-8000	USA	1-800-877-8000	Saudi Arabia	1-800-877-8000	Moldova	1-800-877-8000
Iraq	1-800-877-8000	Vietnam	1-800-877-8000	Singapore	1-800-877-8000	Monaco	1-800-877-8000
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Italy	1-800-877-8000	Zimbabwe	1-800-877-8000	Taiwan	1-800-877-8000	Pakistan	1-800-877-8000
Japan	1-800-877-8000			Thailand	1-800-877-8000	Peru	1-800-877-8000
Korea	1-800-877-8000			Turkey	1-800-877-8000	Poland	1-800-877-8000
Laos	1-800-877-8000			Ukraine	1-800-877-8000	Romania	1-800-877-8000
Lebanon	1-800-877-8000			USA	1-800-877-8000	Russia	1-800-877-8000
Lebanon	1-800-877-8000			Vietnam	1-800-877-8000	Saudi Arabia	1-800-877-8000
Malaysia	1-800-877-8000			Yemen	1-800-877-8000	Singapore	1-800-877-8000
Mali	1-800-877-8000			Zimbabwe	1-800-877-8000	Sri Lanka	1-800-877-8000
Maldives	1-800-877-8000					Taiwan	1-800-877-8000
Mexico	1-800-877-8000					Thailand	1-800-877-8000
Moldova	1-800-877-8000					Turkey	1-800-877-8000
Monaco	1-800-877-8000					Ukraine	1-800-877-8000
Norway	1-800-877-8000					USA	1-800-877-8000
Pakistan	1-800-877-8000					Vietnam	1-800-877-8000
Peru	1-800-877-8000					Yemen	1-800-877-8000
Poland	1-800-877-8000					Zimbabwe	1-800-877-8000
Romania	1-800-877-8000						
Russia	1-800-877-8000						
Saudi Arabia	1-800-877-8000						
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## Japanese Leader Honors Singapore's War Victims

Compiled by Our Staff From Dispatches

SINGAPORE — In the latest bid to repair his country's lingering image from World War II, Prime Minister Tomichi Murayama on Sunday became the first Japanese leader to honor Singaporeans killed during the Japanese occupation.

Mr. Murayama, 70, on the first day of a two-day visit, laid a wreath at the Memorial to the Civilian Victims of the Japanese Occupation. He bowed

and observed a minute's silence. "This is the first time any visiting Japanese prime minister has done this," said Singapore's foreign minister, Shunmugam Jayakumar, who attended the ceremony along with Trade and Industry Minister Yeo Cheow Tong.

The visit is the last leg of Mr. Murayama's four-nation Southeast Asian tour, which earlier took him to the Philippines, Vietnam and Malaysia, where Tokyo's actions in the

Pacific war were a recurring theme. In Kuala Lumpur on Saturday, Prime Minister Mahathir bin Mohamad stunned Mr. Murayama by declaring that Tokyo should stop apologizing for World War II and start being a world leader in keeping the peace.

"I don't understand why Japan continues to apologize for things that happened 50 years ago," Mr. Mahathir told Mr.

Murayama, according to Japanese officials. Mr. Mahathir rejected calls by many Asians for compensation from Japan for events that occurred during the war. "If you start seeking compensation for things that happened 50 years ago, then what about 100 years ago or 200 years ago?" Mr. Mahathir said. "It could turn into demands for compensations from colonial powers."

Mr. Murayama had no re-

sponse. Japanese officials said he simply let Mr. Mahathir move on to his next subject. The Malaysian leader also told Mr. Murayama that "as a major player in the international arena, Japan must be prepared for peacekeeping duties directly."

Mr. Murayama responded only indirectly with a promise that Japan intended to carry out "international contributions."

(AFP, AP)

## North Korea, Endangering Nuclear Pact, Snubs Seoul Offer

The Associated Press

SEOUL — North Korea has rejected a South Korean offer of a two-day visit to the DPRK to resolve suspicions over the Communist government's nuclear program. Seoul officials said Sunday.

The provision of light-water reactors is a key part of a package deal struck between the United States and North Korea to clear suspicions the North is developing nuclear weapons.

In radio reports monitored in Seoul and Tokyo on Saturday, the North indicated that its rejection of the Southern offer is political rather than economic, officials said.

"The issue of the provision of the light-water reac-

tor," the North's official radio said in a report monitored here, "is a matter that must be settled between the DPRK and the United States, which does not allow the South Korean authorities to obtrusively interfere."

North Korea said that it had discussed light-water reactors in detail with the United States in Geneva earlier this month but that "no heed was paid to the South Korean reactor."

The Geneva deal calls for the United States to give the North modern reactors and some form of recognition in exchange for Pyongyang's promise to freeze its nuclear program, suspected of being used to make bombs.

The Western-developed light-water reactors would

replace the North's old-fashioned graphite-moderated reactors that produce more of the atomic-bomb ingredient plutonium.

### ■ Ouster Report Belied

The North Korean prime minister, Kang Song San, appeared in public over the weekend, belying an earlier speculation that he might have been ousted after the reported defection of his son-in-law, Agence France-Presse reported from Tokyo, quoting a radio report on Sunday.

A South Korean newspaper reported last week that Mr. Kang lost his position in mid-August because of his son-in-law, Kang Myong Do, defected to South Korea in May.

## Avoid Cairo, Militants Warn

### Target: Foreigners at Population Conference

By John Lancaster

Washington Post Service

CAIRO — Islamic militants have threatened to attack foreigners who attend a United Nations conference on population that opens here Sept. 5, raising fears that Egypt may be in for a new round of extremist violence after several months of relative calm.

The warning Saturday came a day after gunmen opened fire on a tour bus in southern Egypt, killing a 14-year-old Spanish boy in the first lethal attack on tourists since March.

Two police officers also died in separate clashes with militants Friday and Saturday.

The statement from the fundamentalists was the first explicit threat of violence against foreigners planning to attend the conference, which has been widely criticized by Islamic organizations as a

plot by the West to impose its ideas of birth control and morality on the socially conservative Islamic world.

Islamic militants have waged a two-year campaign against the government of President Hosni Mubarak that has claimed more than 400 lives, most of them policemen and militants killed in clashes in several provinces of southern Egypt.

The militants have also killed several foreigners in a successful effort to damage the tourist industry, which is one of Egypt's economic mainstays.

The latest warning came in the form of a statement faxed to Western news agencies by the Islamic Group, the main Islamic organization fighting the Egyptian government.

"The group, as it starts a new round of operations, urges all foreigners not to come to Egypt during the coming period for the sake of

their lives," Reuters quoted the statement as saying.

It "advised" foreigners taking part in the conference that "they are putting themselves in harm's way."

The government has taken extraordinary security measures to protect the 20,000 foreigners expected to attend.

A senior Egyptian government official called the militants' latest threat "an act of utter desperation on their part."

### ■ Bangladeshi Cancels

Prime Minister Khalida Zia of Bangladesh and two of her ministers have canceled a visit to Cairo to attend the population conference. Reuters reported Sunday from Dhaka, quoting government officials.

They said Begum Zia would not be able to attend because of "pressing preoccupation at home."

## BOOKS

### BAYREUTH: A History of the Wagner Festival

By Frederic Spotts. Illustrated. 334 pages. \$35. Yale University Press.

Reviewed by Edward Rothstein

YOUNG seem to sit with the dead in the gloom of a tomb, was Mark Twain's reaction. But Bruckner, Grieg, Tchaikovsky, Saint-Saëns and Liszt all made pilgrimages. European royalty paid homage. Artists gave up large fees; conductors worked without being identified, all in service to an extraordinary, megalomaniacal enterprise: an opera house designed and built by Richard Wagner specifically for performances of his epic work, "The Ring of the Nibelung."

Now, Frederic Spotts, an associate of the Center for European Studies at Harvard University and a loyal attendee at the festival since 1955, has written a readable, authoritative account of the Wagner festival

that is compelling and chilling, sketching the cult's evolution and surveying its achievements.

The achievements are considerable. The Festspielhaus, from the day of its opening in 1876, defined the character of the modern operatic theater. The focus of attention is the stage. The seating is steeply raked. The orchestra and conductor are hidden, their pit extending under the stage floor. The instrumental sound fills the space as if it were being produced by the drama itself.

Many of the players can't hear the singers, and the conductor, Spotts notes, has an awful time coordinating the performance. But these flaws mean that an intimate knowledge of the score is required, which was fine with the composer.

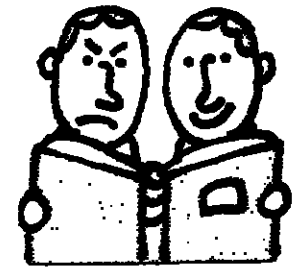
After his death in 1883, Wagner's instructions became sacrament. His widow, Cosima, eventually turned the festival into an embalmed tribute to the composer. Her son, Siegfried, tentatively tested the waters of modern dramaturgy but kept the orthodoxy. Winifred, his wife, added Hitler to the pan-

### WHAT THEY'RE READING

• Group Captain Mike Feenan, head of the Royal Air Force in Berlin, is reading "The Downing Street Years" by Margaret Thatcher.

"I believe that no one interested in the history of Britain in recent times can afford to ignore this book. It gives a powerful insight into the thinking of one of the most influential people of our age; love her or hate her, it is compulsive reading."

(Michael Kallenbach, IHT)



theon, even consulting him on casting, directing and design.

As Spotts shows, this courtship of fascist politics was part of a long tradition. From its founding, the Bayreuth festival had been central for German nationalist movements, who found their views echoed in Wagner's writings and latent in the operas.

This found resonance in the family itself. Wagner's daughter Eva married Houston Stewart Chamberlain, whose anti-Semitic history of the West provided inspiration to Hitler.

Spotts gives a detailed account of Hitler's affection for Winifred and her children.

Spotts has said that he omitted his most sensational discovery because it would have overshadowed the book: that Hitler sexually abused the young Wieland Wagner, Winifred's child and later the heir to the festival.

The omission is unfortunate, because Spotts shows that the history of postwar Bayreuth is based on a reaction against the fascistic past. Though there was little purging of the ranks, Wieland Wagner revolutionized the

stagings, making them abstract rather than Romantic and nationalistic.

Upon Wieland's death in 1966, his brother Wolfgang, the current head of the festival, went even further. He deliberately sought iconoclastic approaches epitomized by the 1976 production of the "Ring," directed by Patrice Chéreau. This has, in turn, enshrined a new ideology at Bayreuth, in which Wagner can seem, in Spotts's words, "the spiritual founder of the Greens," the prophet of Germany's leftist environmentalists. This has led to a new set of interpretive mannerisms.

Meanwhile, the Wagner family continues in the old mode with excommunications, loyalty tests and mythic rivalries. Nike Wagner, Wieland's daughter, calls the Wagners "an Atreus clan," a "many-headed, thousand-footed monster that ponderously rolls through the corridor of generations." The current patriarch, Wolfgang, in his new autobiography, attacks every member of his family including his children and contin-

ues to accuse his sister, who was ardently anti-Nazi, of disloyalty to Germany during the war.

Spotts's accounts of these battles seem as definitive as we are likely to get right now. One wishes for supplements: an account of the evolution of performance style to match his account of stagings, an analysis of the operas and their connection to Bayreuth ideology. But Spotts's history is, at least in English, a pioneering one.

Edward Rothstein is on the staff of The New York Times.

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## BRIDGE

By Alan Truscott

NEITHER declarer hit on the subtle line of play that would have brought home four spades on the diagrammed deal from the Spingold Knockout Team Championships semifinals. Both South players received a heart lead and won with the jack, and one of them now cashed the ace and king of spades in the hope that the queen would fall. He failed by two tricks.

The second time around, the bidding followed the course shown. Two diamonds was a "militant" showing a weak two-bid in one of the major suits, and East bid two hearts to allow for the heart possibility. South did better and came close to success. He cashed the spade ace and the heart ace, and led to the club ace. He then led a club, winning with the queen when East played low. He surrendered a club to the ten, but East administered the coup de grace by leading the trump queen. This simultaneously prevented South from ruffing a club and from reaching the dummy, so the contract failed by one trick.

South and his team gained three imps, but he realized afterward that he could have made four spades by refusing to cash the heart ace at the third trick. If he had led a small spade to dummy at the third trick, he would have been in full control. The best East can do is to lead the club king, trying to remove dummy's entry, but South cannot then be prevented from drawing trumps and eventually discarding a club loser on the heart king.

NORTH			
♠ 8	♥ 5	♦ 7	♣ 5
♠ 7	♥ 4	♦ 6	♣ 4
♠ 6	♥ 3	♦ 5	♣ 3
♠ 5	♥ 2	♦ 4	♣ 2
♠ 4	♥ A	♦ 3	♣ A
♠ 3	♥ K	♦ 2	♣ K
♠ 2	♥ J	♦ A	♣ J
♠ A	♥ 10	♦ K	♣ 10
♠ K	♥ 9	♦ J	♣ 9
♠ J	♥ 8	♦ 10	♣ 8
♠ 10	♥ 7	♦ 9	♣ 7
♠ 9	♥ 6	♦ 8	♣ 6
♠ 8	♥ 5	♦ 7	♣ 5
♠ 7	♥ 4	♦ 6	♣ 4
♠ 6	♥ 3	♦ 5	♣ 3
♠ 5	♥ 2	♦ 4	♣ 2
♠ 4	♥ A	♦ 3	♣ A
♠ 3	♥ K	♦ 2	♣ K
♠ 2	♥ J	♦ A	♣ J
♠ A	♥ 10	♦ K	♣ 10
♠ K	♥ 9	♦ J	♣ 9
♠ J	♥ 8	♦ 10	♣ 8
♠ 10	♥ 7	♦ 9	♣ 7
♠ 9	♥ 6	♦ 8	♣ 6
♠ 8	♥ 5	♦ 7	♣ 5
♠ 7	♥ 4	♦ 6	♣ 4
♠ 6	♥ 3	♦ 5	♣ 3
♠ 5	♥ 2	♦ 4	♣ 2
♠ 4	♥ A	♦ 3	♣ A
♠ 3	♥ K	♦ 2	♣ K
♠ 2	♥ J	♦ A	♣ J
♠ A	♥ 10	♦ K	♣ 10

West led the heart nine.



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Jacques Chirac, left, and Edouard Balladur during ceremonies commemorating 50th anniversary of the Liberation.

## Paris Liberation a Kickoff for Elections

By Alan Riding  
New York Times Service

PARIS — The 50th anniversary of the liberation of Paris last week was meant to be an occasion for looking back. Instead, abruptly ending the political doldrums of France's annual summer break, it has marked the start of the campaign for presidential elections next spring.

That no one has actually declared his candidacy to succeed President François Mitterrand appears to have no relevance. Between now and the first round of voting next April, every political speech, every decision, every maneuver will be viewed through the prism of the presidential race.

And so it was last week, when two likely rightist contenders — the Gaullist mayor of Paris, Jacques Chirac, and the Gaullist prime minister, Edouard Balladur — used the celebrations as a stage for discreetly scoring points against each other.

Predictably, both evoked General Charles de Gaulle. Recalling that the general had "a sort of social contract" with the French people, Mr. Chirac said it was time for a new one to deal with chronic unemployment. Mr. Balladur retorted that General de Gaulle personified national unity, which should again be preserved at all cost.

Hardly political fireworks, it might be said. But in the strange political dance taking place on the French right, the exchange was considered significant. It signaled that Mr. Balladur planned to challenge his own party's leader, the very man who nominated him to be prime minister last year.

With speculation mounting that the two men may both be candidates in the first round of voting, Foreign Minister Alain Juppé, who is secretary-general of the Gaullist Rally for the Republic, tried to restore order. The party, he said, would pick between Mr. Chirac and Mr. Balladur.

Over the weekend, the spotlight turned to Jacques Delors, whom the opposition Socialists would like to nominate after he retires as head of the European Union's executive commission at the end of this year. Though he has been quietly building up support, it is not clear that he wants to be president.

On Friday, Mr. Delors had lunch with Mr. Balladur, to discuss, he said, "Europe and only Europe." When asked if it was a meeting between two candidates for Elysée Palace, he replied, "Can you read the stars?" Over the weekend, he attended a gathering of supporters, but still kept people guessing.

If he does so for too long, though, the

Socialists may grow impatient. Having been bundled out of office in parliamentary elections last year and humbled in European elections this year, they can ill afford to keep drifting without a leader capable of reviving fortunes.

For the moment, the only thing working in their favor is the possibility of disarray on the right. Former President Valéry Giscard d'Estaing and former Prime Minister Raymond Barre may also join the presidential race. The hard-line interior minister, Charles Pasqua, who is enjoying a surge of popularity, is also keeping his options open.

Mr. Pasqua warns that if the conservative vote is splintered in the first round of the elections, the Socialists could still win the runoff vote next May despite their current low standing in the polls. He has proposed holding a primary election to pick a single rightist standard-bearer, but so far his idea has garnered little support.

Rather, all of France is awaiting the outcome of what seems to be the inevitable confrontation between Mr. Chirac, a former prime minister who has been planning a new bid for the presidency since he was defeated by Mr. Mitterrand in 1988, and Mr. Balladur, who only began eyeing Elysée Palace after he became prime minister in March last year.

## Bid to Curb Nuclear Smuggling Lags

By R. Jeffrey Smith  
Washington Post Service

WASHINGTON — A two-year U.S. effort to help Russia keep its nuclear materials from falling into terrorist hands has largely failed to get off the ground because of U.S. friction with top Russian nuclear experts, low funding and inattention at the top levels of the Clinton administration, according to U.S. officials familiar with the program.

These political and financial problems hinder the ability of Russia and the United States and its European allies to prevent further smuggling into Western Europe of bomb-grade materials from Russia, the officials said.

In recent interviews, the officials said that while none of the batches confiscated in the last four months had more than 10 percent of the fissile material needed to build a terrorist bomb, nuclear smuggling was likely to persist and could eventually pose a threat to U.S. or allied security.

The officials said Russia lacked vital experience and know-how in keeping close track of its estimated 1,000 tons of bomb-grade uranium and 170 tons of plutonium, making it incapable of providing reliable assurances that none of its materials was missing.

But they said the Russian Ministry of Atomic Energy, the country's principal nuclear custodian, has repeatedly rebuffed offers of assistance out of pride and anxiety that any cooperation with Washington could compromise its secrets or be attacked by Russian nationalists.

Without intercession by President Bill Clinton and other U.S. officials at the highest levels in Moscow, the officials said, ministry officials will continue to rebuff months-old U.S. offers to help detect and repair security defects at military-related nuclear facilities or aid Moscow in developing a better export control system.

They said the topic should be a top priority for next month's summit meeting between Mr. Clinton and President Boris N. Yeltsin of Russia. White House sources said Mr. Clinton is likely to raise the issue, but has not decided whether to emphasize it.

U.S. policy also has shortcomings, said the officials, who spoke on condition they not be named. Although the White House said last year that ensuring secure storage of former Soviet nuclear materials was a key

priority, the administration lacks a detailed, government-wide strategy for halting nuclear smuggling.

It has no mechanisms for rapidly sharing intelligence on nuclear smuggling with Russia and other former Soviet republics, unlike Germany, which recently concluded such an agreement with Moscow. The lack of such an accord, officials said, helps explain widespread grumbling within the government that the CIA knew little more about the recent smuggling incidents than what had appeared in the German press.

The officials added that a trip by the FBI director, Louis J. Freeh, to Moscow in early July to open an "office" that could help probe nuclear smuggling and other matters had produced only a limited accord that two FBI agents could be stationed at the U.S. Embassy.

Due to what several of the officials said were misplaced U.S. priorities, only \$58 million of the \$988 million authorized by Congress to help diminish the nuclear threat from the former Soviet Union has been allocated to improving export controls or nuclear materials accounting.

Most of the funds have instead been allocated to support the dismantling and transfer to Russia of former Soviet nuclear weapons. Officials said while that effort helped deter outright weapons thefts, the threat of smuggled nuclear materials may now pose a greater danger.

Of the \$58 million, only \$4.2 million has been spent on accounting and export controls and only \$1 million has been spent in Russia.

Until the recent incidents in Germany, top policymakers had devoted little attention to the smuggling problem and no official has been designated to be responsible for handling the issue, the officials said.

With no single interagency effort devoted to combating the problem, the State, Energy and Defense departments have for two years pursued separate and sometimes poorly coordinated efforts to initiate cooperation with the Russian bureaucracies involved, the officials said.

Energy Department officials, for example, recently sought to forge direct links between U.S. and Russian nuclear weapons labs, hoping to spur new Russian research on materials accounting and provide work for

low-paid scientists who might otherwise be tempted by lucrative black market offers.

Defense and State Department officials, however, have emphasized the need for cooperative arrangements with the Russian Ministry of Atomic Energy or MINATOM, the manager of those labs. These efforts have fared poorly because of what four U.S. officials said was resistance by MINATOM's powerful director, Viktor Mikhailov, to broader cooperation with Washington.

They said Mr. Mikhailov — who controls the payroll for an estimated 1 million employees clustered around at least 10 research centers closed to foreigners — has alternately rebuffed offers of U.S. assistance or demanded more money than Washington was prepared to provide for such efforts.

The U.S. Embassy in Moscow has reported in confidential cables, for example, that Mr. Mikhailov and his aides have sought to exclude Western experts on fissile materials accounting and security from key nuclear facilities because they fear political reprisals from nationalists who may eventually take power.

## PLUTONIUM: Germans Exaggerating the Threat?

Continued from Page 1

that we do a lot in the next weeks or months.

The "trickle" became manifest in four German incidents in as many months, two of them considered particularly worrisome. On May 10, in the southwest German town of Tengen, policemen arrested a suspected counterfeiter named Adolf Jäkle. In his garage, they found 2.4 ounces of radioactive powder that included one-fifth of an ounce of 99.75 percent-pure plutonium-239 — the same isotope, although with a higher purity, as that used in hydrogen bombs.

The other especially alarming incident came Aug. 10, when a Colombian and two Spaniards were arrested at the Munich airport after a flight from Moscow. In a suitcase, investigators found 20 ounces of radioactive material, much of it composed of 87.2 percent-pure plutonium-239, again the same telltale isotope but this time at lower purity than is commonly used in bombs.

Yet the Tengen and Munich seizures were only the most recent and most sinister of hun-

dreds of nuclear smuggling cases in the last few years. In 1990, according to federal police statistics, German authorities investigated four cases of suspected nuclear contraband.

The numbers climbed to 41 in 1991, 158 in 1992 and 241 last year. Through the first six months of this year, 90 cases had been investigated.

The majority have been simple frauds, hucksters seeking gullible buyers for the nuclear equivalent of the Brooklyn Bridge.

Last year, 21 cases involved seizure of radioactive material, but typically the stuff was something to make a Geiger counter click.

The most recently disclosed case in Germany — one that fanned the hysteria — occurred Aug. 12, when a 34-year-old man in Bremen tried to peddle a minuscule and militarily worthless sliver of plutonium believed to have been extracted from a Soviet-era smoke detector.

Speculation about prospective buyers has led in recent weeks to assertions — none proved — of involvement by the North Koreans, the Paki-

stanis, Basque separatists, Saddam Hussein and sundry others.

Bernd Schmidbauer, Chancellor Helmut Kohl's intelligence coordinator and a man whose passion for intrigue is suggested by the nickname "Agent 008," told the parliament last Thursday that "it is not absurd to believe that buyers may be acting on behalf of governments."

Mr. Schmidbauer provided no details, nor did he elaborate on his assertion that former East German Stasi secret police officials may be involved in the trade.

Some officials fear the spiraling number of cases in Germany has as much to do with desperate police offers of huge bounties for fissile material as it does with poor security at former Soviet stockpiles.

"There's no evidence of a real market for plutonium in Germany," Hans Georg von Bock und Polach, the Bremen prosecutor, said recently. "There's a hazard that our interest in pursuing criminals is bringing danger to Germany. As law enforcers, we simply can't do that."

NOVEMBER 1994

3 THURSDAY

4 FRIDAY

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# Herald Tribune

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## Population Principles

Next week thousands of people from all over the world will gather in Cairo for the once-in-a-decade International Conference on Population and Development. Like the conferences in 1974 and 1984, this one will deal with a population explosion that, despite the extraordinary worldwide acceptance of family planning programs, still threatens to impoverish the planet.

In the earlier meetings, women were on the edge of the discussion. Now they are at center stage because, as Timothy Wirth, U.S. undersecretary of state for global affairs, put it, "We must recognize that women know... what they need, and they must be equal partners in programs and policies." Ideally, the final document will provide a framework for population policies that will include the empowerment of women. Those policies would not only give women and their partners the ability to limit the size of their families but also give women better health services, better education and, above all, equality with men.

How that document is used will depend on governments, their citizens and laws — which is why its language must be, and is, fluid enough to reflect the diversity of the 170 countries that contributed to the initial draft. Such a document will not emerge, however, if the Vatican, which successfully deleted broad terms like "reproductive rights," "family planning" and "safe motherhood" from the draft, now turns the conference into a colloquy on abortion, homosexuality and extramarital sex. To that end, it has looked for help toward Islam, specifically fundamentalist groups and governments in countries like Iran and Libya.

Last week Vice President Al Gore

called the Vatican-fueled diversion "a red herring." The United States, he said, "has not sought, does not seek and will not seek to establish any international right to an abortion." Neither does the draft document. Instead, in the section on health, morbidity and mortality, it calls attention to the public health consequences of botched abortions; and while it asks that women should be able to terminate their pregnancies safely should they choose, it adds this proviso: "in those cases where it is allowed by law."

Mr. Gore also pointed out, correctly, that the best way to make abortion — legal or otherwise — rare is to make contraceptives widely and readily available. The draft document, however, does not seek to establish a basic human right to their availability. Rather, it asks governments to assess the extent of unmet needs for family planning services.

The whole point of this Cairo exercise is for all countries to agree on certain basic principles and policies that would enable the future of this world to be a decent one. Ideally, they will recognize that family planning and economic growth, although possible separately, are best accomplished hand in hand. The conference is a chance to establish globally the idea that the empowerment of women involves their ability not only to control fertility but also to get an education and a job, to engage fathers in child rearing, and to be spared such human rights abuses as forced abortion and genital mutilation. If narrowly nationalistic or sectarian interests block discussion and movement toward those goals, the conference will be a lost opportunity.

—THE NEW YORK TIMES

## Salesmen in China

Ron Brown, U.S. secretary of commerce, has arrived in China accompanied by an entourage of 24 heads of American companies. The primary purpose of the trip is to sell American exports, an altogether useful endeavor. But this mission will also provide an indication of the Clinton administration's intentions in pursuing the issue of human rights — China's treatment of its own people in the aftermath of its suppression of the democracy movement five years ago.

Despite the absence of substantial progress, President Bill Clinton decided last May not to cut off China's trade with the United States. He had earlier threatened it, but finally concluded that the cause of human rights was most likely to be advanced by close and active American engagement with China. Ideas follow the trade routes. The administration is right in principle, but has yet to demonstrate precisely what it is going to do in practice. Mr. Brown is the first American official of cabinet rank to visit China since the president's decision, and the Chinese will watch closely to see whether the Americans are serious about civil rights there.

Mr. Brown is under great pressure to promote American exports. The American trade deficit is enormous and rising fast. Beyond that, the vision of China

with its vast population and high growth rates has seized the imagination of many American business people. Among the big international companies, the anxiety over access to the Chinese market is great. Some see China emerging as the world's biggest economy early in the next century, and China trade as crucial to American prosperity.

That is an exaggeration, and it would be unwise to get carried away by such commercial romanticism. At present China is a smaller market for American exports than Belgium or Singapore. It is growing steadily and will become more important as time passes. That is why it is essential now, while the stakes are still relatively low, to establish the conditions of a relationship which, well managed, will bring broad benefits to both countries.

Those conditions are going to have to include better treatment of American exporters, whose goods encounter far more difficult and arbitrary barriers in China than Chinese goods do when entering America. Those conditions will also include cooperation on political questions such as arms control and dealing with North Korea's nuclear ambitions. And they will certainly include the progress of human rights under a government that rules one-fifth of the world's people.

—THE WASHINGTON POST

## A National Service Corps

In the midst of the political fighting of the past few weeks, a program that actually passed Congress with important bipartisan support has been almost forgotten. It is President Bill Clinton's national service program, which will be formally kicked off on Sept. 12.

National service was one of Mr. Clinton's favorite programs during the 1992 campaign. His original idea was rather grand. Modeled after the old GI bill, the program would have helped anyone go to college who was willing to volunteer for two years of service to the country. The idea was that government could help people while also fostering a sense of individual and social responsibility. Compared with that original plan, which theoretically envisioned a volunteer corps numbering in the hundreds of thousands, the one that passed Congress is far more modest. Only 20,000 young Americans will be involved in the new AmeriCorps program this year, and the grants will be less generous than originally envisioned. Scaling the program back was part of the price Mr. Clinton had to pay for Republican support.

Some have taken this as a "typical Clinton compromise," getting the form of a program but not anything close to the real thing. The truth, we think, lies elsewhere. The Republicans who supported the plan but sought to scale it back did so on the sound theory that a new program of this sort should be tested on a more modest scale. And Eli Segal, president of the Corporation for National Service, likes to note that the 20,000 volunteers the new AmeriCorps program is expected to sign

up amount to about 4,000 more people than the Peace Corps enrolled at its height. The program, moreover, is scheduled to grow substantially in coming years. If it works, AmeriCorps has the potential for doing something unusual: proving that the federal government can strengthen local institutions that are using practical means and the energies of citizens to solve neighborhood problems. So much social programming is built around a false dichotomy that has either the government solving problems or the people, usually volunteers, solving the problems themselves. But it is one of the premier tasks of government to strengthen rather than weaken the healthy impulse of citizens to take on problems themselves.

The other potential advantage is that the program does not seek to impose the federal government's own theories about community action on neighborhoods. Volunteers will go to work for existing neighborhood and governmental entities, mostly with proven records. The programs will fall into four broad areas: education, crime prevention, the environment and social programs helping young mothers, the homeless elderly, the homeless and residents of public housing projects. Mr. Segal says he wants programs to be judged by very practical measures: the number of crack houses closed, block associations created, kids immunized, urban gardens planted, escorts for the elderly provided, fences in housing projects fixed. "Getting things done" is the new program's cheerfully nonutopian slogan.

—THE WASHINGTON POST

## Stop Dickering With Serbs and Help Bosnia Survive

By Kemal Kurspahic

WASHINGTON — Citizens in the Serbian-controlled areas of Bosnia and Herzegovina voted this past weekend on the international peace plan. There is something highly perverse in having a referendum in these territories. They have been ethnically cleansed in the most brutal manner, with more than 200,000 people killed, tens of thousands raped or tortured in camps, and a million and a half driven into exile.

The referendum was sponsored by the Bosnian Serbs' self-styled leader, Radovan Karadzic, who is neither Bosnian nor Serb — he was born in the remote Durruti region of Montenegro — nor a leader in any democratic sense. He did not run for public office in Bosnia's first and only free elections in November 1990.

The proposal, devised by the "contact group" countries — the United States, Germany, France, Britain and Russia — offers Mr. Karadzic control over 49 percent of a divided Bosnia. This is both immoral and illegal because it rewards his genocidal aggression.

Yet Mr. Karadzic wants the plan rejected. He does not want to give up any of the 70 percent of the country that he has conquered. His intentions run counter

to the wishes of even his main patron, President Slobodan Milosevic of Serbia. So rather than openly defy his master, Mr. Karadzic organized the referendum, hoping that voters would reject the plan.

Upset by Mr. Karadzic's aggressiveness, and feeling the pinch of sanctions, Mr. Milosevic has cut off the supply of arms and fuel to the Bosnian Serbs, as well as telephone and radio and television links. These actions were greeted in the international media as the beginning of a showdown between the two Serbian leaders. But it is likely that Mr. Milosevic's seeming change of heart is a calculated move to further his expansionist goals.

"He plays that game all the time in his own interest, which is the 'Greater Serbia' headed by Slobodan Milosevic," as former Secretary of State Lawrence Eagleburger put it.

From Mr. Milosevic's perspective, the contact group's proposal is the best he can get. It would leave him in control of roughly half of Bosnia through his proxies in the Bosnian-Serb government in Pale. Its acceptance would result in the eas-

ing or even lifting of economic sanctions against Serbia. And Mr. Milosevic, who is already listed by the State Department as a top candidate for war crimes trials, could grab the mantle of peacemaker.

If, however, Mr. Karadzic continues to refuse that proposal, economic sanctions may be tightened and the war prolonged. NATO might be drawn to intervene to protect Bosnia's "safe havens," and the West might be forced to lift its arms embargo on the Bosnian army.

With his war against Croatia still unfinished and increased unrest in Kosovo, Mr. Milosevic undoubtedly sees the prospect of intensified fighting in Bosnia as a threat to his dreams of "Greater Serbia."

Mr. Karadzic, on the other hand, does not have any real choice but to remain belligerent. Even if he wanted to be loyal to his boss in Belgrade — and even if he is forced to sign the partition plan — he can't make his followers obey it.

His troops have moved hundreds of thousands of Serbs from elsewhere into the homes and property of ethnic Croats and Muslims in Serbian-occupied Bosnian towns. They can't just tell these people to evacuate because they signed a new treaty. Mr. Karadzic's political strength is the

belief he has planted in his followers that his "Republika Srpska" will become a sovereign, internationally recognized state (or at least a part of Greater Serbia) — something that is not going to happen under the contact group's proposal.

All those self-appointed ministers, aspiring ambassadors and war profiteers will fight even if abandoned by those who led them into the war in the first place. In the words of their "foreign minister," Aleksa Buba, "even collective suicide is better than living with others anymore."

That is why the international community also doesn't have many options.

Instead of compromising what is left of its credibility by repeating the same tired threats and carrying up Bosnia, it should tighten the sanctions against Serbia for having inspired and then acceded to the terror in Bosnia; expand the "safe havens" in Bosnia and protect them with NATO air power; and lift the arms embargo to give Bosnians the means to defend and liberate their country.

The writer is Washington correspondent for the Bosnian independent daily *Oslobodjenje*. He contributed this comment to *The New York Times*.

## Highly Enriched Uranium: Stop the Commerce and Don't Use It

By Paul Leventhal and Alan Kuperman

WASHINGTON — It's a classic example of the right hand not knowing what its left is doing. A valuable nonproliferation initiative by the Clinton administration is being undermined by another of its pet projects.

The initiative is a major push to eliminate international commerce in highly enriched uranium, one of two materials used to make atomic bombs. The project is a super reactor to be built at home with bomb-grade uranium as fuel. Unless boosters of the new reactor drop their demand for bomb-grade fuel, President Bill Clinton is likely to fumble a sure nonproliferation touchdown.

To its credit, the administra-

tion is simultaneously confronting both military and civil dangers of this explosive nuclear fuel. On the military front, it is pushing the UN Conference on Disarmament to adopt an international ban on production of highly enriched uranium for weapons. On the civil front, it is expanding considerable political capital trying to persuade America's allies to phase out remaining use of this fuel in nuclear research reactors.

The Department of Energy has revitalized a long-dormant program to resume taking back spent, U.S.-origin nuclear fuel

from foreign research reactors — despite vocal opposition at home — as an inducement for those reactors to convert to non-weapons-usable fuel. It is also seeking to block the supply of fresh, bomb-grade fuel to a proposed German research reactor, and to persuade the Germans to convert to the alternative fuel.

All this effort may go for naught, however, because of a new \$3 billion U.S. reactor also proposed by the Department of Energy. The Advanced Neutron Source would be the first new research reactor in the world to

use bomb-grade uranium since 1978. It would increase the Department of Energy's consumption of such material by 100 percent at the very time when Washington is preaching to allies to eliminate its use.

Germany is not amused. Its officials publicly accuse the United States of seeking a "competitive advantage" and have traveled to Moscow in search of an alternative supply of bomb-grade uranium. If the United States proceeds with such fuel, Germany will surely do the same.

From there, the damage will only grow. Other foreign reactor operators, who at U.S. insistence have accepted the expense and in-

convenience of converting to non-weapons-usable fuel, will feel cheated and compelled to revert to highly enriched uranium. Siemens, designers of the German reactor, envisions it as a prototype for future export. Once highly enriched uranium fuel and the reactors that use it are made legitimate again, how can they be denied to countries like Iran that have the right to acquire them as signers of the Nuclear Nonproliferation Treaty?

Some administration officials who recognize the problem have proposed a compromise: a symbolic reduction in the enrichment of the Advanced Neutron Source fuel, but not down to the non-weapons-usable level that Washington insists other countries should use. The Germans aren't buying it. At a recent meeting in Bonn, they reminded the United States that such "middle-enriched uranium" still meets the definition of bomb-grade uranium under U.S. law and international practice. They are right.

There is a way out. A recent U.S. government study indicates that the Advanced Neutron Source can be redesigned to use non-weapons fuel. The flux of neutrons and time between refueling would be reduced by about a third, but the reactor would still produce four to five times the flux of the world's most powerful facility in France. The new design would require only perhaps a year's delay in construction, a small price to pay for preserving the administration's initiative to eliminate commerce in bomb-grade uranium.

The administration has failed to embrace this redesign. According to government sources, that is because of a strong push for immediate construction from Vice President Al Gore, the former senator from Tennessee — home of the Advanced Neutron Source.

The administration is ill-advised to proceed with the current design. Not only will it sacrifice hard-won progress on nonproliferation, it would provoke a protracted fight on Capitol Hill. Already the Senate has refused to approve requested "construction" funds for the Advanced Neutron Source. Such battles in the past led to cancellation of the Clinch River Breeder Reactor in the 1970s and the Special Isotope Separation Plant in the 1980s, and to the recent demise of the Integral Fast Reactor. The only thing Congress likes less than a \$3 billion construction project is such a project with proliferation ramifications.

The obvious solution is to modify the design of the Advanced Neutron Source to use non-weapons-usable uranium so that everyone can claim victory. Scientists would get their neutrons and Tennessee its jobs. Most important, nonproliferation advocates could continue their efforts to put the bomb-grade-uranium genie back in its bottle before it is too late.

Mr. Leventhal is president of the Nuclear Control Institute, and Mr. Kuperman is a consultant at the institute. They contributed this comment to *The Washington Post*.

## Cuba: Embargoes Hurt People Instead of Helping

By Pierre Salinger

WASHINGTON — John Kennedy moved to lift the embargo just five days before he was killed. I am quite amazed that Bill Clinton has become a supporter of Fidel Castro, and an enemy of the Cuban people, like many of his predecessors.

This idea of embargo of Cuba goes back all the way to when I was working with Mr. Kennedy. It is true that he made a major mistake early in his administration in the operation of the Bay of Pigs invasion. But, unlike many other presidents who have got into trouble, he went live on television the day after the Bay of Pigs and said: "I am the president of the United States. I made this decision. I made this mistake. I take full responsibility for it."

There was an extraordinary reaction from the American people. Two weeks later, a Gallup Poll showed that Mr. Kennedy had the support of 82 percent of the public. He called me into the office and said, "I hope I don't have to continue doing stupid things like that to remain popular."

John Kennedy imposed the embargo against Cuba, but late in his administration he understood he had made another mistake. Only five days before he was assassinated, he had a meeting with a French journalist who, he discovered, was heading for Havana. He gave him a note to give to

Fidel Castro calling for negotiations to normalize relations between the two countries.

Mr. Kennedy understood that if the embargo was not lifted, that if trade was not re-established between the United States and Cuba, the Soviet Union would dominate that island.

The journalist was in the office of Fidel Castro when Mr. Castro's phone rang, bringing the news that President Kennedy had been killed. If the embargo had been lifted in 1964, Cuba would be a democratic nation today.

In 1975, when I held my first and only meeting with Fidel Castro, I learned that the Ford administration understood that relations between Cuba and the United States should be normalized. Accompanying me to the meeting with Mr. Castro was the famous American journalist James Reston. At one point in our long meeting with Mr. Castro, Mr. Reston said to him, "Excuse me, sir, but can I change my hat?"

"What kind of a hat do you want to put on?" Mr. Castro asked. Mr. Reston said he was bringing a diplomatic message from the then secretary of state, Henry Kissinger. He said Mr. Kissinger wanted to start a dialogue with Cuba to normalize relations. Mr. Castro said he was

willing to discuss it, but only after the embargo was lifted.

"That's what Kissinger told me you would say," Mr. Reston said. They then negotiated a pre-dialogue between the U.S. and Cuban ambassadors in Madrid to start the process. Unfortunately, six weeks later Cuba was persuaded by the Soviet Union to send 30,000 troops to Angola. That broke down those talks.

But now, more than 30 years since the embargo was created and almost five years since the Soviet Union crumbled, Americans are looking at things in a desperately wrong way. They keep saying that the embargo or tougher sanctions will bring down the Castro regime and bring democracy to Cuba.

Of course we Americans want to see the Castro regime go down. Of course we want democracy in Cuba. But we simply are forgetting history.

Unfortunately, those who seem to forget history the most are the Cuban-Americans who are pushing the Clinton administration to go in this direction.

Did the West bring an end to communism in Eastern bloc countries like Poland, Czechoslovakia, Hungary and others with embargoes or sanctions? Did it bring down communism in the

## What Americans Can Do About Guns

By A. M. Rosenthal

NEW YORK — Two cops are wounded by police bullets in a frenzied cross fire on a New York subway platform. The people and the press demand to know it happened and who was responsible.

Two young thugs stroled into the subway, one with a handgun and the other with a shotgun. That is why. The rest is the consequence of cops taking their lives to do their duty.

One plainclothes officer, gun drawn, chased the two men. He was shot by mistake by an off-duty policeman also wearing civilian clothes, who was then shot by a transit officer. Who was responsible? The two men who carried their guns into the subway, criminals in the act.

Cause and responsibility seem to me obvious. But living in this city you would certainly never guess it. The press, lawyers, public, even the police all concentrate not on the thugs and how armed hoods can strut about streets and subways, but on how come cops do not react unfailingly to the sight of a man aiming his gun by bowing, checking the wristband color of the day and exchanging badge numbers and calling cards.

One day science may tell us how to hire only cops with infallible control over their adrenaline, heart rate and brain signals. Meantime, I want to see, read or hear a lot more about the guns and how the criminals got them, who owned them before and how many death merchants are peddling guns on what streets. That's the how come I want to know.

I want to know about every crime the men committed before taking guns into the subway. And, please, easy on the bit about how their neighbors say what good boys they were. Mayor Rudolph Giuliani and Police Commissioner William J. Bratton have stood by the officers while ordering the necessary inquiries. But I am sorry they missed a chance to tear the head off New York.

fore taking guns into the subway. And, please, easy on the bit about how their neighbors say what good boys they were.

Mayor Rudolph Giuliani and Police Commissioner William J. Bratton have stood by the officers while ordering the necessary inquiries. But I am sorry they missed a chance to tear the head off New York.

They should have said that our city, like the whole United States, is fouled by guns, stinks of them. Say it plain: Until we do something about that deadly stench, the men and women we hire to protect us will be doing their duty knowing that every minute of every tour they are surrounded by muggers, killers and thieves in greater number, expertise and firepower than the world has ever experienced.

I favor total registration and licensing of guns, and government control of all gun sales outlets. I know that very many Americans will fight every move. The rest of us can fight back with every political, intellectual and economic tool we have, win when we can and return to fight again.

But is that really all, no way for us to fight guns ourselves? If I were mayor, I would lead the essential attitude-change campaign, from a button in my lapel to organizing parades, demonstrations, neighborhood watches, rewards; and do that for the rest of my term.

If I were a rich man, I would put big philanthropy money into anti-gun causes; maybe my chauffeur could park

outside my favorite restaurant without getting a gun stuck in his ear. A teacher: I would fill my walls with anti-gun truths, and my children's heads. A clergyman: I would not have to be told. If I were a politician, I would fight for tougher anti-gun laws, and if I were a judge I would enforce them. If I were a member of a civil liberties group, I would insist that it re-examine its positions against allowing search for guns, or blocking public housing tenants from having their buildings swept.

As a journalist, I can ask print editors and television news producers to put more violence into the news, a different kind, the violence of truth.

I would tell cameramen on the spot to get tight close-ups of the wounds if at all possible. I would ask the police — or courts, if necessary — for pre-autopsy pictures from the morgue, and print them.

The pictures would sicken children and grown-ups, which would be the purpose. It would be one antidote of truth against the lies we constantly see in movies, television reruns and videos: gun-shot people with no viscera hanging out of their bodies, no faces dripping from their clothes.

None of these ideas will end America's gun disgrace. Only a few generations of voters will do that. But it is a lot more useful to do something against guns yourself, any decent thing, than just hang around clucking at cops for finding themselves on a subway platform when two men strutted in, smug with firepower.

The New York Times

## IN OUR PAGES: 100, 75 AND 50 YEARS AGO

### 1894: Woe to Spitters

PARIS — The authoritative prohibition which is displayed in Paris omnibuses, notifying to the public that it is "interdit de cracher sur le parquage," would apparently be likely to lead to trouble with the proud and independent natives of Ireland. In order to impose this desirable restriction on the multitude in Belfast the following reflective method has been successfully adopted by the authorities: "Spitting in trams is a filthy habit; persons committing this offence will render themselves liable to the disgust and loathing of their fellow-passengers."

### 1919: Dulles Departs

PARIS — Mr. John Foster Dulles, chief expert of the American Peace Delegation, left Paris yesterday [Aug. 30] for Brest and will

sail for the United States within a few days. Mr. Dulles is returning home after having concluded the economic and financial matters upon which he has been engaged. Mr. Dulles intends to resume the practice of law in New York. His departure will be a great loss to American Peace Commission.

### 1944: For de Gaulle

PARIS — The people of Paris have accepted General Charles de Gaulle as the undisputed leader of France in her hour of liberation and there is no sign that they have ever thought otherwise during the past four years. The Germans tried to make great capital out of the difficulties de Gaulle had in getting the United States and Britain to recognize him and his provisional government, but a great mass of the French people simply maintain their faith in him.



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## CAPITAL MARKETS

### Unfazed Japan Borrowers Turn to the Dollar Market

By Carl Gewirtz

International Herald Tribune

PARIS — With Japan Inc. awash in cash from the still-huge trade surplus that investors are unwilling to place abroad, it is surprising to see Japanese borrowers turning to the dollar-bond market to raise funds.

But Japan Highway Public Corp. tapped the market for \$500 million last week and reports from Tokyo have other state-guaranteed issuers, such as Japan Development Bank, the Export-Import Bank and the city of Tokyo, lining up to borrow offshore.

With the Bank of Japan reported to be spending \$2 billion a week to prevent the yen from strengthening, it would hardly seem desirable for domestic issuers to raise dollars abroad to bring home. However, the impact on the exchange rate is neutralized as the issuers swap the proceeds into fixed-rate yen obligations.

Taking into account the fees paid to underwriters and the 7.625 percent coupon on Japan Highway's 10-year paper, which was priced at a modest discount to face value, the cost to the issuer was 3 percentage points more than the 4.75 percent it would have expected to pay if the money had been raised in the Japanese market. But thanks to the swap, according to executives of Long-Term Credit Bank of Japan, the lead manager, Japan Highway's total cost was "slightly below" what the borrower would have had to pay at home. Although Bank of Tokyo had earlier been rumored to have the mandate to manage the issue, Long-Term Credit Bank refused suggestions it won the deal by subsidizing the swap rate. However, foreign bankers in Tokyo asserted that the only way to achieve the borrower's targeted cost of funds was for the lead manager to have subsidized the swap — a strategy banks of all nationalities use when they want to boost their business or woo a client.

"I'd estimate the cost of the subsidy at the equivalent of \$7.5 million," said a U.S. banker. He also scoffed at the official line that the borrowers come to the market to keep open their diversified source of funding.

Meanwhile, the Japanese banks are reported to be preparing a flood of 200 billion yen of Euro-yen subordinated bonds — aimed at bolstering their capital.

Overall, traders report good demand for dollar paper. Investors appear comfortable with the view that rising short-term interest rates are good for the dollar-bond market because they calm fears about future inflation.

But whether there is still demand for exotic names will be tested when Lebanon makes its debut under the aegis of Merrill Lynch & Co. The government is aiming to raise at least \$150 million with a

See BONDS, Page 11

## Bankers Focus on Inflation

### Fed, Bundesbank Keep Eye on Jobs But Key Is Prices

Compiled by Our Staff From Dispatches

JACKSON HOLE, Wyo. — U.S. and German central bankers indicated over the weekend that they were concerned by unemployment, but they were unwilling to consider an inflationary interest-rate policy as a cure.

"Monetary policy cannot be expected to make an active and direct contribution to a lasting reduction in unemployment," Hans Tietmeyer, the Bundesbank president, said at an international meeting here sponsored by the Kansas City Federal Reserve Bank.

"Ultimately, jobs can only be created by a healthy economy, and no economy can be healthy if inflation soars out of control," he said.

U.S. officials, however, noted that although their economy was expanding, there was a widening disparity between those with high-paying jobs and those at the bottom of the wage scale.

"If something isn't done, it will only get worse," said Lawrence Katz, the chief economist of the U.S. Labor Department.

But Alan Blinder, vice chairman of the Federal Reserve Board, said the United States was near full employment and that the threat of inflation would become greater if unemployment fell much lower.

Full or natural employment is the threshold beyond which price pressures begin to show as confident consumers head to the shopping malls and car dealers, while companies try to catch up from harder times by raising their charges.

Mr. Blinder said the role of monetary policy was to "guide the employment rate up to its natural rate but not higher."

"By that criteria, the United States is extremely close," he added.

"The Fed has raised interest rates five times since February. This month, in its most recent move, it signaled that it was satisfied for the present that it had done all it could to counter inflation."

The central bank has been under frequent criticism in Congress and elsewhere for giving only lip service to the problems of joblessness.

On Friday, Federal Reserve Board Chairman Alan Greenspan cautioned against extensive efforts to reduce levels further by risky spending or other stimulative measures. (Bloomberg, Knight-Ridder, Reuters)

## Coping With Strong Yen

### Profit Reports Show Winners and Losers

By Steven Brull

International Herald Tribune

TOKYO — Many of Japan's biggest companies have begun to make more money again after years of declining profits and red ink, evidence of their uncanny ability to cope with a strong yen, which just a year ago appeared ready to strangle the Japanese economy.

But a close look at the corporate results issued last week shows that while some companies are beating back the yen with smart management and superior technology, the improvement at others is illusory, more the result of financial might than enhanced competitiveness. Many companies remain in dire straits, unable to compete with the yen having become as valuable as a U.S. penny, an increase of more than 11 percent this year.

Moreover, the restructuring that is necessary to make Japanese industry leaner and meaner has so far been more a collection of temporary moves than a far-reaching revision.

It is an approach that has been echoed by the government, which appears to be moving backward in its proclaimed effort to deregulate the economy to spur fresh growth and relieve pressure on the yen.

"To look at these results and say everything is over is very misleading," said Richard Koo, a senior economist at the Nomura Research Institute. "Structural problems haven't been going away; they're getting more serious every day."

Still, the results issued last week are impressive. Matsushita Electric Industrial Co., the world's biggest consumer electronics company, which is known for the Panasonic and Technics brands, registered a 12 percent increase in consolidated current profit, which rose to 37.6 billion yen (\$376 million) for the

three months ending June 30. The Japanese current profit measure is a pretax measure similar to operating profit in other countries, and it includes gains and losses made on other nonoperating activities.

During the June 30 quarter, Honda Motor Co. enjoyed a 110.3 percent spurt in consolidated current profit, to 32.25 billion yen. Despite a sales increase of only 3.8 percent, Canon Inc. saw its current profit soar 84 percent to 28.5 billion yen during the half-year period ending June 30.

Overall, Japan's 200 top companies expect an average 1 percent increase in current profit in the year through next March, compared with a 20.6 percent slide the year before, according to a compilation that excluded banks, brokerages and insurers, the financial daily Nikkei Shimbun reported over the weekend. For manufacturers, the increase should be a healthy 12.1 percent, but for others, current profit is forecast to dip another 9.5 percent.

But even at Toyota Motor Co., the nation's mightiest manufacturer, the outlook is not as bright as the numbers hint. Japan's biggest car company said last week that current profit had crashed 25.3 percent, the fourth straight decline, but the sum still came to a not-so-shabby total of 214.03 billion yen (\$2.14 billion). Better yet, the company expects cost-cutting and improved demand for vehicles at home and abroad to contribute to a rebound this year of 26.2 percent, to 270 billion yen.

Yet about two-thirds of Toyota's current profit last year came not from selling vehicles but from managing its hordes of cash, valued

See YEN, Page 11

## ITT, Cablevision Seen Winning N.Y.'s 'Garden'

By Murray Chass

New York Times Service

NEW YORK — The billion-dollar bidding war for Madison Square Garden has ended with Cablevision Systems Inc. and the ITT Corp. winning the sports and entertainment properties, which include the New York Knicks, the New York Rangers and the MSG Sports Network. Executives of the rival bidder have disclosed.

Viacom Inc., which owns the Garden properties, including the arena, did not announce a deal, but executives of Liberty Media Corp., the only other bidder, said Saturday that they had been told they had lost the bidding contest.

"They were trying to get back in it, but they weren't successful," said a New York business executive who also has sports interests and is close to Liberty Media. "They said Viacom told them it's a done deal, it's over."

Cablevision and ITT scheduled a news conference for 9 P.M. New York time on Sunday, where they were widely expected to announce the deal.

The winning bid was said to be close to \$1.1 billion. Liberty Media had bid \$1 billion. Some financial analysts said the bids seemed astoundingly high, valuing the properties at no more than \$700 million.

The difference in the bids, though, was apparently not the decisive factor in the outcome. Viacom and Telecommunications Inc., a cable television giant that owns Liberty Media, were negotiating a much bigger deal involving related transactions that would have more than doubled the value of Liberty's bid for the Garden properties.

They were also negotiating the settlement of an antitrust lawsuit that Viacom had filed against Telecommunications.

But those negotiations fell apart last week over major concessions sought by Viacom, one

executive close to Liberty said. "They became so big they became dominant," he said.

Another executive traced the problems to the strong-willed personalities of Sumner Redstone, the head of Viacom, and John Malone, the head of Telecommunications. "Redstone and Malone had too many arguments," he said. "They are two hard-willed people."

But one lawyer familiar with the bidding raised the possibility of antitrust objections to a deal with Cablevision.

"How is Dolan going to be the only pay-TV service controlling sports in a city like New York?" the lawyer asked, referring to Charles F. Dolan, the head of Cablevision. "I'm sure there is going to be some government fight. I don't think New York City and the Feds will sit by and take this lightly."

As the head of Cablevision Systems Inc., the nation's fourth-largest cable operator, Mr. Dolan has made sports programming — particularly of New York sports — a central pillar of his company's growth for nearly three decades. Based in Woodbury, New York, Cablevision has 2.5 million subscribers in 19 states.

ITT, on the other hand, is a conglomerate that has \$750 million to \$1 billion in cash on hand and a stated desire to augment its operations in what are now three lines of business: insurance and financial services, manufacturing and hotels.

Viacom put Madison Square Garden, the Knicks basketball team, the Rangers hockey team, and the MSG television service on the block shortly after winning control of Paramount Communications Inc. in a costly bidding fight against QVC Inc. The MSG channel has exclusive cable rights to the two teams' games, as well as a contract to carry New York Yankees baseball through the year 2000.

## Diller Opposes Superhighway Fights

Compiled by Our Staff From Dispatches

EDINBURGH — Companies elbowing to catch the next wave of the media revolution are expending too much effort battling one another, Barr Diller, the chairman of QVC Inc., has declared.

Attempts by telephone, cable, broadcast, publishing and software companies to dominate the emerging multimedia market have been misguided, he said Saturday at a television industry conference. "It's today's form of media imperialism, each medium trying to colonize the other."

The key to success on the information superhighway, instead, lies in following intuition rather than following the rest of the industry, he added.

Multimillion-dollar experiments are under way without any understanding of what convergence is really about, Mr. Diller said.

"Telecom companies, broadcasters, book publishers, silicon chipmakers and software companies fear that if they don't rush headlong into each other's businesses, the great dance of the next century will pass them by," he said.

"So we've all these organiza-

tions doing truly stupid things in anticipation of enormous markets that don't currently exist."

But those looking to Mr. Diller's own next move for pointers to the way ahead heard few clues.

After failing to buy Paramount Communications Inc. or merge with CBS Inc., the company he heads, QVC Inc. is under siege from two of its own big shareholders. Mr. Diller said he would stay at QVC until at least December if its impending sale to Comcast Corp. and the Telecommunications subsidiary Liberty Media Corp. went through.

"What's next for me is going to take a long time to think through," he said, adding that he did not want to be "obvious."

Mr. Diller, the former head of Rupert Murdoch's Fox television network in the United States, will realize a profit of around \$93 million on his investment of \$25 million in QVC.

Asked if he would try to buy another network, he said: "The only reason I might not is because it's so expected."

His prescription for the in-

dustry was to let the creative programming side have its head and become "convergence contrarian," rather than trying to apply lessons learned in the old media to the new world.

"It means having the patience to relax and follow your curiosity instead of hyperventilating and chasing the crowd," he said.

He cited QVC's "smart-agent" technology, now under development, as an example of convergence that had worked out.

The technology puts together highly detailed profiles of individual consumers, matches them with the vast database now available throughout the world, and provides in a millisecond the goods, services and information that the consumers want.

(Reuters, Bloomberg)

### A Coup for Fox

Fox Broadcasting, continuing its efforts to strengthen its network of affiliates in local television markets, has gained effective control of the ABC affiliate in New Orleans and NBC affiliates in Honolulu and Mo-

See DILLER, Page 11

## Bombay Notebook

### India Is Hungry for Top Executives

With business confidence booming and a growing influx of foreign investors, India's top executives find themselves in hot demand.

The country's business press, which has expanded by several titles in the past two years, is bursting with job offers for senior executive positions at companies across the country.

Those with experience in marketing and financial services, especially with international exposure, are asking for — and getting — salaries on par with their overseas peers.

While newcomers to the Indian consumer markets have raided already-established foreign-local joint ventures for talent, many of the big Indian industrial groups are luring senior bureaucrats and managers away from the country's large state sector.

Freed from government restrictions on expanding into other fields of business, many Indian companies are launching efforts in entirely new areas, particularly in infrastructure, capital markets and international trade.

"I was able to convince our board that we would have to pay a salary much higher than any of them were getting now for the right person to build a business for us," said one executive with an old-school Calcutta-based commodities trading firm eager to break into stockbroking in Bombay.

"But we've been looking for months and can't find the right person," said the executive. "Everyone else is looking too, including the big names from New York, London and Hong Kong."

Indians who have emigrated overseas for their education and then stayed on for work are now a target of the top recruiters.

"Many of them would like to return to India and give their families a taste of life here," said an executive with one of the country's largest companies based in Bombay.

"We can offer them competitive salaries, but they are worried about things like schools for their kids and the overseas lifestyle they have gotten used to."

### No Dearth of Cucumbers

While India's economic turnaround owes much to wide-ranging reforms initiated in New Delhi, much of the progress can be attributed to a higher authority, the weather.

In a country where most people still work in the agricultural sector, the monsoon rains have played a major role in the government's ability to predict a 5 percent growth rate for the economy this year.

Heavy rains have caused severe flooding in several parts of India, with large losses in life and property, but overall bumper crops of most commodities are expected this season after the best monsoon for several years.

But, as a current cucumber glut in Bombay is illustrating, food surpluses are testing the country's storage and distribution systems and a complex pricing structure for many commodities.

While the truckloads of vegetables considered a cooling delicacy in the hot summer months will be welcomed by consumers in the cities, prices are quickly falling from the current rate of 20 to 25 rupees (6 to 8 cents) per kg, about 20 cucumbers.

To make matters worse for growers, this is only the first of two crops expected this year. Another variety traditionally ripens in about two to three weeks.

### Investment Is Chilled

In a sign of India's new appeal for foreign investors, hotels have been jam-packed this summer, a season when blistering temperatures and weeks of rain

normally dissuade most tourists from coming to India.

Bustling lobbies may indicate new interest from business executives, but foreign investment statistics reveal India has yet to see the full evidence of their enthusiasm.

From 1991 to the month of June this year, up to \$5 billion worth of direct foreign investments have been approved by a government eager to attract capital. But just over \$1.2 billion worth of funds have actually been invested to date.

Lagging far behind China in terms of total foreign investment committed over the same time period, India's ability to turn rhetoric about freer markets into reality remains in doubt.

A number of reforms, particularly those meant to allow foreigners a role in infrastructure development, have bogged down and the turmoil in the airline business provides an example.

Several new domestic airlines have formed to challenge the one-time monopoly held by Indian Airlines on domestic routes with a much welcomed improvement in service for travelers. International airlines have put increased pressure on state-owned Air India as well.

But recent restrictions on imports of more planes for domestic carriers and a ban on travel with private sector airlines for Indian government officials, along with new pricing and ticket sales restrictions on international competitors, is widely viewed as protectionism in a new guise.

"I think they are finding that competition is much easier talked about than done," said one international airline executive. "Replacing one set of restrictions with another is no way to be taken seriously."

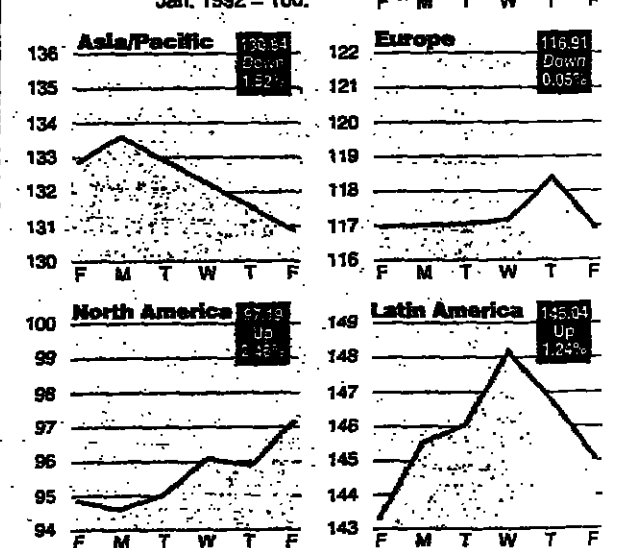
Kevin Murphy



## THE TRIB INDEX

International Herald Tribune  
World Stock Index, composed  
of 280 internationally investible  
stocks from 25 countries,  
compiled by Bloomberg  
Business News.

Week ending August 26,  
daily closings,  
Jan. 1992 = 100.



Industrial Sectors/Weekend close					
	82594 close	87394 close	% change		
Energy	113.96	113.39	-0.50	Capital Goods	120.43 118.01 +1.19
Utilities	130.05	130.26	-0.16	Raw Materials	134.57 133.82 +0.56
Finance	118.81	117.97	-1.15	Consumer Goods	104.42 103.40 -0.99
Services	122.87	122.08	-0.65	Miscellaneous	133.53 132.92 +0.46

The index tracks U.S. dollar values of stocks in Tokyo, New York, London, and Argentina, Australia, Austria, Belgium, Brazil, Canada, Chile, Denmark, Finland, France, Germany, Hong Kong, Italy, Mexico, Netherlands, New Zealand, Norway, Singapore, Spain, Sweden, Switzerland, and Venezuela. For Tokyo, New York and London, the index is composed of the 30 top stocks in terms of market capitalization; otherwise the ten top stocks are tracked.

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## CURRENCY RATES

Cross Rates									
	\$	£	D.M.	F.P.	Lira	D.P.	S.P.	Yen	Ci Pesos
American	1.254	0.756	1.227	0.206	0.146	0.0001	0.000001	136.17	1.250
British	0.756	1.000	0.756	0.146	0.100	0.000001	0.000001	160.33	0.750
French	0.756	0.756	1.000	0.146	0.100	0.000001	0.000001	160.33	0.750
German	0.756	0.756	0.756	1.000	0.100	0.000001	0.000001	160.33	0.750
Italian	0.756	0.756	0.756	0.756	1.000	0.000001	0.000001	160.33	0.750
Japanese	0.756	0.756	0.756	0.756	0.756	0.000001	0.000001	1.000	0.750
Spanish	0.756	0.756	0.756	0.756	0.756	0.000001	0.000001	160.33	0.750
Swiss	0.756	0.756	0.756	0.756	0.756	0.000001	0.000001	160.33	0.750
U.S. Dollar	1.000	0.756	0.756	0.756	0.756	0.000001	0.000001	136.17	1.250
Yen	0.756	0.756	0.756	0.756	0.756	0.000001	0.000001	1.000	0.750
Yuan	0.756	0.756	0.756	0.756	0.756	0.000001	0.000001	160.33	0.750
Yuan	0.756	0.756	0.756	0.756	0.756	0.000001	0.000001	160.33	0.750

Closings in Amsterdam, London, New York, Toronto, and Zurich; others in other centers.

© To buy one pound; £. To buy one dollar; \$.

Units of 100; M.L.; not quoted; M.L.; not available.

### Other Dollar Values

Currency	Per \$	Currency	Per \$	Currency	Per \$
Australian	0.756	British	0.756	Canadian	0.756
French	0.756	German	0.756	Italian	0.756
Japanese	0.756	Spanish	0.756	Swiss	0.756
U.S. Dollar	1.000	Yen	0.756	Yuan	0.756

### Forward Rates

Currency	30-day	60-day	90-day	Currency	30-day	60-day	90-day
American	1.254	1.254	1.254	British	0.756	0.756	0.756
French	0.756	0.756	0.756	German	0.756	0.756	0.756
Italian	0.756	0.756	0.756	Japanese	0.756	0.756	0.756

Source: ING Bank (Amsterdam); Deutsche Bank (Frankfurt); Banco Commerciale Italiano (Milan); Banque Paribas (Paris); Bank of Tokyo (Tokyo); Royal Bank of Canada (Toronto); and Reuters. Other data from Reuters and AP.

## DERIVATIVES IN INVESTMENT MANAGEMENT

### Focusing on Pension Funds

#### AMSTERDAM

September 29 & 30, 1994

#### Topics include:

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- The trustees
- The pension fund investor's need in the derivatives market
- Commodity & energy derivatives
- Developments in technology & administration systems
- Derivatives in emerging markets
- Alternative investments

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- IMRO • ING Bank • BZW Futures
- The WM Company
- Machado Asset Management
- Mees Pierson Derivatives Limited
- Credit Lyonnais Rouse Limited
- International Petroleum Exchange • Quantec
- GM Investment Management Corporation
- Sant Cassia Investment Management
- Waterside Futures Limited • Citic Group
- Momentum Asset Management
- Everest Capital Ltd

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# WEEKLY INTERNATIONAL BOND PRICES

Provided by CS First Boston Limited, London, Tel: (071) 516 40 25. Prices may vary according to market conditions and other factors. Aug. 26

## Dollar Straights

Issuer Cn Mat Price Yld Bid Ask

### Governments/Supranationals

Issuer	Cn	Mat	Price	Yld	Bid	Ask
USA 10yr	10	10/1/95	101.00	7.125	100.90	101.10
USA 7 1/2yr	7 1/2	7/1/95	101.00	7.125	100.90	101.10
USA 5yr	5	5/1/95	101.00	7.125	100.90	101.10
USA 3 1/2yr	3 1/2	3/1/95	101.00	7.125	100.90	101.10
USA 2 1/2yr	2 1/2	2/1/95	101.00	7.125	100.90	101.10
USA 1 1/2yr	1 1/2	1/1/95	101.00	7.125	100.90	101.10
USA 6mo	6mo	6/1/95	101.00	7.125	100.90	101.10
UK 10yr	10	10/1/95	101.00	7.125	100.90	101.10
UK 7 1/2yr	7 1/2	7/1/95	101.00	7.125	100.90	101.10
UK 5yr	5	5/1/95	101.00	7.125	100.90	101.10
UK 3 1/2yr	3 1/2	3/1/95	101.00	7.125	100.90	101.10
UK 2 1/2yr	2 1/2	2/1/95	101.00	7.125	100.90	101.10
UK 1 1/2yr	1 1/2	1/1/95	101.00	7.125	100.90	101.10
UK 6mo	6mo	6/1/95	101.00	7.125	100.90	101.10
FR 10yr	10	10/1/95	101.00	7.125	100.90	101.10
FR 7 1/2yr	7 1/2	7/1/95	101.00	7.125	100.90	101.10
FR 5yr	5	5/1/95	101.00	7.125	100.90	101.10
FR 3 1/2yr	3 1/2	3/1/95	101.00	7.125	100.90	101.10
FR 2 1/2yr	2 1/2	2/1/95	101.00	7.125	100.90	101.10
FR 1 1/2yr	1 1/2	1/1/95	101.00	7.125	100.90	101.10
FR 6mo	6mo	6/1/95	101.00	7.125	100.90	101.10
DE 10yr	10	10/1/95	101.00	7.125	100.90	101.10
DE 7 1/2yr	7 1/2	7/1/95	101.00	7.125	100.90	101.10
DE 5yr	5	5/1/95	101.00	7.125	100.90	101.10
DE 3 1/2yr	3 1/2	3/1/95	101.00	7.125	100.90	101.10
DE 2 1/2yr	2 1/2	2/1/95	101.00	7.125	100.90	101.10
DE 1 1/2yr	1 1/2	1/1/95	101.00	7.125	100.90	101.10
DE 6mo	6mo	6/1/95	101.00	7.125	100.90	101.10
JP 10yr	10	10/1/95	101.00	7.125	100.90	101.10
JP 7 1/2yr	7 1/2	7/1/95	101.00	7.125	100.90	101.10
JP 5yr	5	5/1/95	101.00	7.125	100.90	101.10
JP 3 1/2yr	3 1/2	3/1/95	101.00	7.125	100.90	101.10
JP 2 1/2yr	2 1/2	2/1/95	101.00	7.125	100.90	101.10
JP 1 1/2yr	1 1/2	1/1/95	101.00	7.125	100.90	101.10
JP 6mo	6mo	6/1/95	101.00	7.125	100.90	101.10

## Banks & Finance

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Abn-Amro	10	10/1/95	101.00	7.125	100.90	101.10
Abn-Amro	10	10/1/95	101.00	7.125	100.90	101.10
Abn-Amro	10	10/1/95	101.00	7.125	100.90	101.10
Abn-Amro	10	10/1/95	101.00	7.125	100.90	101.10
Abn-Amro	10	10/1/95	101.00	7.125	100.90	101.10
Abn-Amro	10	10/1/95	101.00	7.125	100.90	101.10
Abn-Amro	10	10/1/95	101.00	7.125	100.90	101.10
Abn-Amro	10	10/1/95	101.00	7.125	100.90	101.10
Abn-Amro	10	10/1/95	101.00	7.125	100.90	101.10
Abn-Amro	10	10/1/95	101.00	7.125	100.90	101.10
Abn-Amro	10	10/1/95				



## New International Bond Issues

Compiled by Paul Floren

Issuer	Amount (millions)	Maturity	Coupon %	Price	Price and yield	Terms
<b>Floating Rate Notes</b>						
Bank Negara Indonesia	\$148	2001	1.28	100	—	Over 6-month Libor, Noncallable, Fees range from 0.85% to 1.25%, Denominations \$500,000, (Sofaro Finance Asia)
Whealock Finance	HK\$ 1,000	1999	1	100	—	Over 6-month Hlibor, Noncallable, Fees 0.50%, Denominations HK\$250,000, (Goldman Sachs Asia)
<b>Fixed-Coupons</b>						
General Electric Capital Corp.	\$100	1997	6 1/2	—	—	Issue price not disclosed, Noncallable, Fungible with outstanding issue, raising total amount to \$350 million, Fees 1.0% (Kidder, Peabody Int'l)
Japan Highway Public Corp.	\$500	2004	7 1/4	99.54	99.42	Noncallable, Fees 0.325%, (TCI Int'l)
Crédit Commercial de France	DM 200	1999	7	102.02	100.15	Reoffered at 99.77, Noncallable, Fees 2% (Goldman Sachs)
Ford Credit Europe	DM 200	1999	7 1/4	101.47	—	Noncallable, Fees 2.0%, (DG Bank)
Council of Europe	fr 150,000	1996	11 1/4	100.91	100.15	Reoffered at 99.91, Noncallable, Fees 1.0%, (Banca Di Roma)
General Electric Capital Corp.	fr 150,000	1997	11 1/4	101.025	100.20	Noncallable, Fees 1.0%, (ABN-AMRO Bank)
Robobank Nederland	fr 300,000	1997	11 1/4	100.95	100.35	Noncallable, Fees 1.0%, (Swiss Bank Corp.)
General Electric Capital Corp.	fr 250	1997	6 1/2	100.98	100.70	Reoffered at 99.77, Noncallable, Fees 1.0% (ABN-AMRO Bank)
Nederlandse Gasunie	fr 250	1999	7	101.225	—	Reoffered at 99.60, Noncallable, Fees 1.0% (ABN-AMRO Bank)
General Electric Capital Corp.	ECU 100	1998	7 1/4	101.055	99.40	Reoffered at 99.63, Noncallable, Fees 1.0% (UBS Securities)
KFW Int'l Finance	ECU 150	1998	7 1/4	101.05	99.40	Reoffered at 99.63, Noncallable, Fees 1.0% (Barclays De Zeele Weid)
Deutsche Bank Australia	Aus\$ 100	1999	9	101.36	99.70	Noncallable, Fees 2% (Deutsche Bank)
New South Wales Treasury	Aus\$ 100	1997	4 1/4	91.57	—	Semi-annually, Noncallable, Fees 1.0%, Denominations Aus\$10,000, (Pinnacle Int'l)
Toyota Motor Credit Corp.	Aus\$ 125	1997	8 1/4	100.97	99.55	Noncallable, Fees 1.0%, (Hambros Bank)
Western Australia Treasury Corp.	Y10,000	1996	3.10	100.10	—	Noncallable, Fees 0.15%, Denominations 10 million yen, (Davis Europe)
WestLB Finance Curacao	Y15,000	2004	4.93	100	—	Noncallable, Fees 0.35%, Denominations 100 million yen, (Solomon Brothers Int'l)

## China Plans Spate of Corporate Bond Sales

Bloomberg Business News

BEIJING — China will issue 4.5 billion yuan (\$517 million) in corporate bonds in the remaining months of 1994 to fund 300 to 400 infrastructure and technical renovation projects, the official newspaper China Daily reported on Sunday.

To attract investors, the paper said, the bonds — from companies in the transportation, energy and raw material industries — will carry a coupon rate 40 percent higher than the interest rate on bank deposits for the equivalent period.

Yet an unnamed official from the People's Bank of China, the country's central bank, predicted that buyer enthusiasm for the bonds would not be high, despite the yields.

The official said investor interest would be diminished by the greater risk associated with corporate bonds and the recent resurgence of China's two stock markets, the paper reported.

China's investors have already been tapped for 110 billion yuan in government bonds, while cash-rich Chinese have poured money into banks, increasing savings in the first half of 1994 to 1.77 trillion yuan, up 38.6 percent from the same period a year ago.

China's corporate bond market is a relatively small force in the country's financial dealings, with most big public-sector companies opting for cheap, state-directed loans. By the end of 1993, China had issued about 61.8 billion yuan in corporate bonds, China Daily said.

The bank official said the securities firms underwriting the new bonds would probably not be able to sell all the issues. Nonetheless, they are expected to participate because their other main source of revenue, underwriting share offers, dried up after the state banned stock issues for the rest of the year.

## Banks to Reduce Poland's Debt

Agence France-Press

WARSAW — Foreign commercial banks have agreed to slash Poland's \$13.2 billion private debt by around 45 percent and will sign a rescheduling arrangement Sept. 13, Polish television reported on Saturday.

Prime Minister Grzegorz Koldko called the agreement historic, saying it would "bring to an end 14 years of abnormal financial relations" between Poland and the rest of the world.

Repayments will be spread over 30 years and will not exceed \$400 million a year.

## Economic Reports Mean Turbulence

Bloomberg Business News

NEW YORK — U.S. bonds ended the week unchanged following the market's largest swings in three months in a market that was whipsawed by conflicting evidence about the economy's strength.

Dealers warned that the turbulence was likely to persist this week because a string of economic reports are expected and because the market is likely to be thin with many traders and investors taking long vacations during the Labor Day weekend.

Economic reports are on tap every day next week.

"You're going to see dramatic moves up and down but that doesn't tell me a lot about the market's future direction," said Dan Morris of Consistent Asset Management. "This is the kind of stuff that tears you up."

The string of economic reports begins Monday with the Commerce Department's release of personal income and spending figures for July.

Tuesday will bring reports on consumer confidence, new-home sales and retail sales. On Wednesday, there will be the index of leading economic indicators and a survey of purchasing managers in the Chicago area. The national survey of buyers

for corporations comes Thursday, along with figures on unemployment claims and construction spending.

But the main event next week will be the release on Friday of the August employment report, potentially the most market-

## U.S. CREDIT MARKETS

moving economic indicator for months. The Labor Department's report will provide the first peek at how strong the economy may be in the third quarter.

"I think the numbers, for the first time in three or four months, will be significant" in determining where interest rates are heading, said William Stevens, a manager at Montgomery Asset Management.

Traders noted that the jobs report will arrive just as traders and investors are breaking for the Labor Day weekend, keeping trading staffs low.

The reports next week could jolt bond yields out of a narrow trading range that has persisted since mid-May, investors said. The yield on the benchmark 30-year bond hovered at 7.50 percent for the past seven weeks, and fluctuated between 7.25 percent and 7.75 percent in the past three months. The yield began the year at 6.35 percent.

"We've had daily volatility but not monthly volatility," Mr. Stevens said. "I think the market will end its period of a trading range sometime in the next several weeks. It will set off in a new direction, and that new direction will be determined by the economic indicators of September and October."

Last week the benchmark 30-year bond rallied on Friday as much as 1.25 points after a government report provided evidence that economic growth in the second quarter was less than expected. The advance followed a decline of 7/8 point on Thursday which had offset a gain of that scope the day before.

Bonds last experienced three days of similar price swings in June.

The yield on the 30-year bond was quoted at the end of trading on Friday at 7.483 percent, down slightly from 7.485 percent a week ago. The five-year bond's yield was quoted at 7.227 percent, down from 2.256 percent a week ago.

The figures released on Friday showed that the economy had expanded at a revised 3.8 percent annual rate in the second quarter, up from the 3.7 percent pace reported initially.

## The Week Ahead: World Economic Calendar, August 29 - September 2

A schedule of this week's economic and financial events, compiled for the International Herald Tribune by Bloomberg Business News.

## Asia-Pacific

Aug. 29 Canberra: Balance of payments data for July. Forecast: Current account deficit of 1.5 billion Australian dollars.

July: Large scale retailers' sales in July released by Ministry of Trade and Industry.

Bangkok: (Thailand) PLC announces details of expansion and financing plans for its petrochemical production plant.

Beijing: U.S. Commerce Secretary Ron Brown and China's Minister of Foreign Trade and Economic Cooperation Wu Yi hold a signing ceremony for framework agreements reached through the U.S.-China Joint Commission on Commerce and Trade.

Beijing: Two-day buyer/seller meet organized by the Indian Apparel Export Promotion Council begins, covering spring/summer 1995.

Ramsgate: Australian national accounts for June quarter. Forecast: Rise.

Beijing: U.S. Commerce Secretary Ron Brown speaks at a U.S.-China Business Council luncheon on commercial policy.

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## Europe

Aug. 29 Amsterdam: Second-quarter gross domestic product. Forecast: Up 0.4 percent in month, up 2.5 percent in year.

Aug. 29 Brussels: August consumer price index. Forecast: Up 0.3 percent in month, up 2.6 percent in year.

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## Americas

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## WORLD STOCKS IN REVIEW



# The Brazilian Economy

## Ebullient Mood Reigns Ahead of Elections

By James Brooke

**S**ÃO PAULO — Imagine a free-market economy larger than Russia's placed next January in the hands of a former Sorbonne professor who believes in low inflation, privatization of state industries and a wider role for foreign investment.

With the first round of Brazil's presidential election five weeks away, Fernando Henrique Cardoso, 63, a social democrat, has suddenly surged in opinion polls, rising ahead of the longtime leader, Luis Inácio Lula da Silva, a socialist.

"The Election Stopped Being a Nightmare," Exame, Brazil's largest business weekly, hailed the startling aboutface. In the space of six weeks, an estimated 20 million voters mi-

grated to Mr. Cardoso's ranks, largely abandoning the Workers Party candidate universally known as "Lula."

Enjoying preference margins ranging from 15 to 20 percentage points, Mr. Cardoso may even win a majority on Oct. 3, eliminating the need for a runoff on Nov. 15. Responding to the opinion polls, São Paulo's stock exchange index has increased 67 percent in dollar terms since July 1. In August alone, foreigners have invested an estimated \$1 billion, raising foreign participation in São Paulo's market to a record 25 percent.

With prospects now high that Brazil will be governed through the end of the decade by an internationally respected centrist, American companies are announcing dozens of new ventures for Latin America's giant.

Federal Express, Blockbuster Video and Anheuser Busch are on the verge of starting operations here. Chase Manhattan has bought 17 percent of a cable television network. American Telephone & Telegraph is to start making modems in southern Brazil. Chrysler Corp. is launching its first car in Brazil in October, and Holiday Inn plans to have franchised 50 hotels across the nation by the end of the decade.

With 4 percent growth expected for a \$450 billion economy, Brazil's expansion this year should almost equal the size of the economy of Peru.

Mr. Cardoso's surge in popularity and the corresponding surge in business confidence in Brazil stem in large part from the country's adoption on July 1 of a new currency, the real.

Unlike the gimmickry of previous plans, the real plan is based on the orthodox concept that governments cause inflation through deficit spending.

"What is different in Brazil now is that there is a critical mass of Brazilians who want stability," said one American banker who ends a five-year assignment here in September.

Unlike other plans, the real plan was adopted after the federal budget was precariously brought into balance, after local manufacturers were thrown into price competition with imports, and after the nation had run up \$42 billion in reserves, the eighth highest level in the world.

This foreign-exchange mountain has so intimidated speculators that, during the first two months of the plan, the central bank has not sold dollars to defend the real, which trades at about \$1.15. To keep local producers on their toes, import tariffs have been dropped to as low as 2 percent.

Because of low duties, Brazil's imports are expected to jump 15 percent this year, to \$29 billion. Trade with the United States is expected to surge 36 percent, to \$19 billion. Achieving in four years what took Western Europe almost four decades, Brazil on Jan. 1 will join Argentina, Paraguay and Uruguay in a common market that stipulates common external tariffs and duty-free circulation of goods among the four countries. Known as Mercosul, the common market has been so successful that Chile and Bolivia now want to join.

After 50 percent inflation in June, Brazil's monthly inflation plummeted to 7 percent in July, and to 4 percent in August. Shellshocked by 5,000 percent inflation over the 12-month period ending in June, Brazilians are suddenly getting used to stable prices.

"Through December, inflation is going to remain very low, very close to the 1 to 2 percent level forecast for this month," Exame magazine wrote in mid-August. "This factor, allied to the growth of the Fernando Henrique Cardoso candidacy in the polls, radically changed the business perception of the economy."

Public opinion surveys show that business people are largely optimistic about the real plan. Among voters surveyed, about 78 percent support the plan.

"No group of any importance voices any criticism of the plan," John Reed, president of Citibank, said on visit to São Paulo in August. "Banks are very optimistic about it."

Further contributing to business confidence, Mr. Cardoso has said that, if he wins, he will ask Rubens Ricuperlo, Brazil's finance minister, to stay on and to continue the anti-inflation battle.

If Mr. Cardoso wins, he will be in a far better position than Fernando Collor de Mello, Brazil's last elected president, to push free-market changes

through Brazil's fractious congress.

In 1989, Mr. Collor was elected president after running against the government and all major political parties. Inaugurated at age 40, Mr. Collor had a thin political résumé — an undistinguished term in Brazil's Chamber of Deputies and a term as governor of Alagoas, Brazil's poorest state.

In contrast, Mr. Cardoso would be inaugurated Jan. 1 with nearly 25 additional years of political experience. In recent years, he has served as senator from São Paulo, Brazil's most populous and most economically powerful state. After serving as finance minister until last April, he is running for president on a broad-based party coalition that should guarantee him a working majority in Congress. Virtually every major newspaper, magazine, television and radio station backs Mr. Cardoso.

"This time we are up against the candidate, the media, the businessmen, and the state," complained Mr. da Silva, who narrowly lost to Mr. Collor in 1989. "Fernando Henrique may not be Ali Baba, but he has the 40 thieves with him."

**T**RYING to inject class divisions into the race, Aloisio Mercadante, the Workers Party vice presidential candidate, said: "It's the revolt of the slave shanties, and the plantation house is going to tremble."

But polls show that voters increasingly believe that Mr. Cardoso has more modern ideas, and that he has the capacity to implement them.

"People are tired of the messianistic, inflammatory, indignant discourse," said Roberto da Matta, a Brazilian anthropology professor at the University of Notre Dame in Indiana.

Less than a decade ago, Brazil became the world's third most populous democracy, after India and the United States. Now, Latin America's largest economy may finally be starting down the track toward stability — low inflation and high growth.

"It is clear that Brazil could not remain isolated, in Latin America and in the world, as one of the few countries which could not achieve stability," Mr. Ricuperlo, the finance minister, wrote recently about the emerging political consensus for a serious anti-inflation fight.

"We could only say that Latin America was again democratic when Brazil returned to democracy," he continued, referring to Brazil's return to civilian rule in 1985. "1985 was the moment of the democratic turnaround, the way we hope that 1994 will be the moment of Latin America's stabilization."

**JAMES BROOKE** is the Brazil bureau chief for The New York Times.



Prices have jumped on the São Paulo stock exchange.

### How to maximize your investment goals.

## Brazil, the best playing field.

- 255 of top 500 companies in Latin America.
- 45% of total Latin American GDP
- Trade surplus among the five largest in the world (US\$ 13 billion)
- Highest foreign exchange reserves in Latin America (US\$ 35 billion)
- Best performing stock market in Latin America in 1993 (107% in US\$ terms) and in the first semester of 1994 (13% in US\$ terms).

## The new rules.

- Balanced budget for 1994 with strong monetary adjustment.
- New currency introduced as part of economic stabilization plan.
- Privatization: 24 companies sold for US\$ 6.6 billion, 37 to be sold in 1994.
- Trade liberalization: reduction in average tariff to 14.2%, elimination of non-tariff barriers.
- Deregulation: liberalized foreign investment.

## Pactual, the best team.

- Investment Banking: Renato Bromfinan
- Mergers and Acquisitions: Paulo Bilyk and John Schlesinger
- Merchant Banking: Luiz Cezar Fernandes
- Economic Analysis: Paulo Guedes
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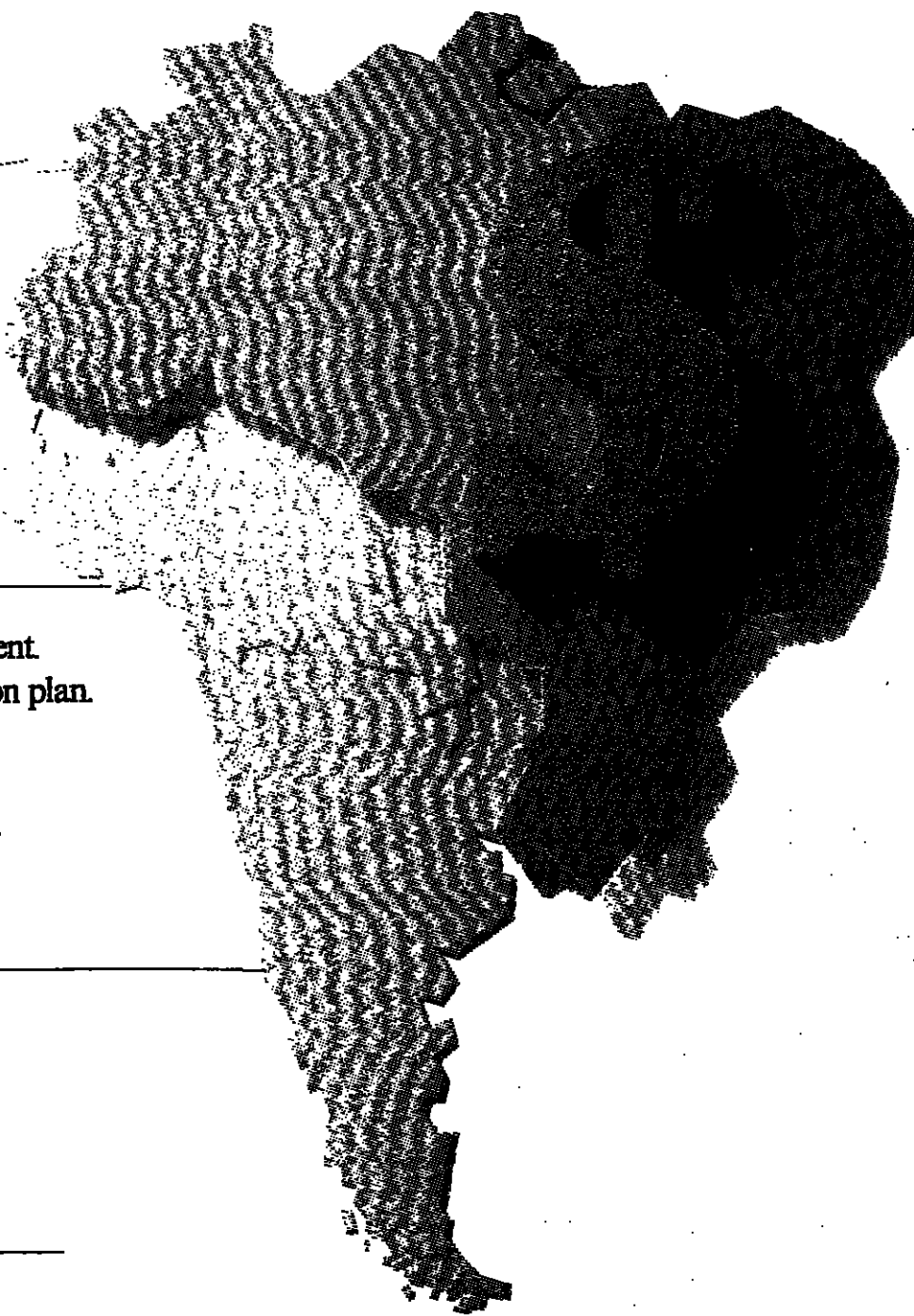
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Brazil's new currency, the real.

Low Carlos Marinho/Polícia de São Paulo



## Can Inflation Be Tamed?

New Currency Puts the Theory to the Test

By Steven Brull

**S**ÃO PAULO — The middle-aged woman at the kiosk was buying only a magazine, but she took a pen from her purse and wrote out a check. Nobody raised an eyebrow, though, because Brazilians write checks almost everywhere, from McDonald's to the airport parking lot. During a decade when annual inflation averaged more than 100 percent — and last year topped 2,500 percent — Brazilians learned that cash has little currency.

Yet since July, when the nation introduced the real, the currency associated with its shrewdest and soundest stabilization plan yet, inflation has been tamed. After a rate of nearly 50 percent in June, prices increased less than 7 percent in July.

Few Brazilians, however, believe the real plan will keep inflation at bay for long, and fewer still seem inclined to stop writing so many checks. Inflation here has become a way of life: wages, interest rates, rents and almost everything else has been indexed to it. Although the poor fall progressively behind, the well off — especially those rich enough to save offshore in dollars — did just fine.

Moreover, an array of political and business interests became dependent on inflation. In private, many Brazilians are rooting against the real plan.

"Brazilians have been too clever for their own good," said Eduardo Giannetti da Fonseca, a professor of economics at São Paulo University. "We allowed the country to continue despite inflation that would be lethal elsewhere, but in the process we created enormous resistance to solving the problem."

Brazil thus finds itself in a dilemma: increasingly, it feels at risk of falling behind Argentina, Chile and other Latin American states that have whipped inflation and enjoyed fast economic growth and inward investment; but correcting the government's extravagant overspending that is the underlying cause of inflation would spell political and economic upheaval.

So far, the real plan is working, thanks largely to the government's backing of the currency with the dollar, and a one-time deal to restrain government spending. But many observers here doubt these conditions will last much beyond January, when a new government takes over.

"The plan will be a bridge guaranteeing stability until the next president comes in," said Mr. Giannetti da Fonseca. "But from then, unless the fundamentals are taken care of, we'll see inflation again."

The fundamentals, chiefly a government that is virtually bound by the constitution to spend more than it collects in taxes, will not

be easily corrected. It would mean reforming the constitution, which was written in 1988 by a populist government that sought to decentralize authority to the states after decades of military rule. The constitution requires the federal government to hand over more than half its revenues to state and municipal governments, which maintain bloated payrolls and support inefficient state-run enterprises. The federal government also operates its share of inefficient businesses, notably in the banking, telecommunications and oil sectors.

The extent of the problem is shown by the Banco do Brasil, a federal commercial bank. It has 125,000 employees, whose salaries comprise 1.5 percent of Brazil's gross domestic product. Among the world's banks, only the Bank of India is bigger. The central bank, unwilling to let the state banks fail, has no hope of maintaining monetary discipline, economists say.

If the real plan does succeed in stabilizing the economy over the longer term, Brazil will at last be able to realize its potential as the world's 9th largest economy. Brazil boasts a large entrepreneurial class and industrial base, as well as a functioning infrastructure. An end to high inflation would encourage more investment and could boost growth.

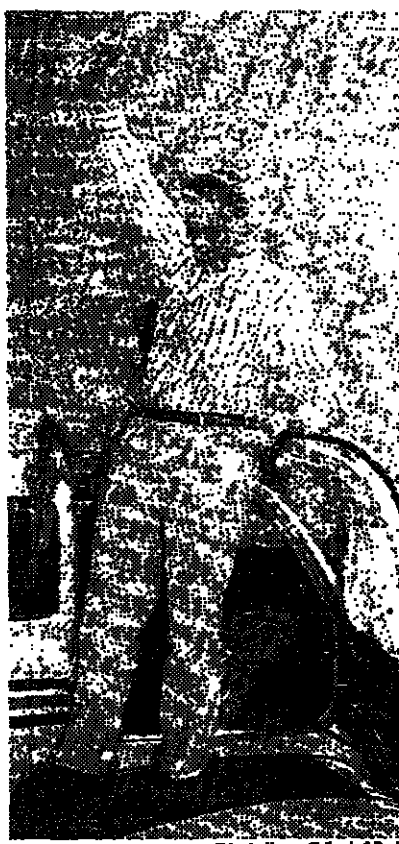
But failure could deal a crippling blow. Because the real plan dismantles the indexation system that allowed the nation to cope with high inflation, its defeat could invite true hyperinflation and undermine growth for the rest of the decade, economists say.

Although in technical terms the real plan is the best of 13 stabilization plans since 1979, its implementation became politicized as soon as its author, Finance Minister Fernando Henrique Cardoso, became a presidential candidate in March. Should Mr. Cardoso win, as now seems probable, he would likely make carrying out the plan his top priority.

But his opponent, Luis Inácio Lula da Silva, has less invested in the real plan. He is a socialist whose rhetoric is concerned less with inflation than the need to provide pensions, higher wages and other benefits to workers. Lula is not expected to dismantle the plan for political convenience, but few imagine he would rein in government spending.

Although dealing with Brazil's structural problems is a daunting task, optimists say the current environment of low inflation provides the necessary precondition. "It's impossible to negotiate reforms when inflation is raging," said Decio Hamu, a director at Banco SRL. "This is a truce for restoring fundamentals and confidence."

STEVEN BRULL, the Tokyo correspondent of the International Herald Tribune, was recently in Brazil.



Cardoso: An economic optimist

## Cardoso Stakes Future on Real

**R**IO DE JANEIRO — For all intents and purposes, Brazilian presidential front-runner Fernando Henrique Cardoso, is a one-issue candidate.

His message: "get real." Or more accurately, get REE-AWL, the Portuguese pronunciation of the country's new dollar-backed currency.

And so far the country seems to be buying his pitch. Long mired at between 15 percent and 17 percent in public opinion polls — a distant second to the left-wing labor candidate Luis Inácio Lula da Silva — Mr. Cardoso has seen his popularity jump to more than 30 percent with the arrival of the country's new money, of which he was the architect.

Some now even predict that Mr. Cardoso, candidate of the Brazilian Social Democracy Party, will win in the first round of voting Oct. 3. If no candidate wins an absolute majority, the two first round leaders will face a runoff vote Nov. 15.

"The Real Plan is working. For the first time in years, Brazilians are going to the store and the prices are the same," said Ronaldo Cezar Coelho, Mr. Cardoso's campaign manager.

Mr. Cardoso's rapid surge in the polls has calmed those worried about an end to five years of modestly suc-

cessful market-based economic reform. Mr. Da Silva and his Workers Party are committed to rolling back or slowing the pace of privatization, trade liberalization and government restraint begun under former President Fernando Collor de Mello in 1990.

While Mr. Collor was impeached for his role in an influence peddling scandal in 1992, his successor, Itamar Franco, has largely continued with the reform program, the Real Plan being the latest and most sweeping component. For Mr. Cardoso, there are no solutions to any of Brazil's serious problems until some of the more surreal elements of the economy are stamped out.

The declining wages, increasing poverty, decaying infrastructure, collapsing social services and rising crime and disorder that both Mr. Cardoso and Lula denounce, have followed hard on the heels, Cardoso says, of a country addicted to funny money and inflation.

Despite the Real, things are still difficult. Part of Mr. Cardoso's plan involved a constitutional amendment that cut direct federal government transfers to the states for health care and education, putting them in a pool instead for emergencies, a fact that has opened a line of attack for Lula.

"I'm not going to promise things I

know can't be delivered," said Mr. Cardoso. "To talk about the social side we need to talk about fighting inflation."

Lula and the Workers Party, however, point out that inflation is still going up, but wages are not being adjusted as they were under previous currencies. They also say the government did not take strong enough action against sharp price rises before the arrival of the real.

Mr. Cardoso, Lula says, is thinking too much about international bankers and not enough about poor Brazilians.

Unlike Lula, Mr. Cardoso says stability must come before wage increases. He also attacks his rival's ideas as ideologically rigid. The Workers Party "talks but they don't know," Mr. Cardoso said. "Inflation destroys income and the poor are the ones who suffer the most. I'm not afraid to support things that aren't popular. I'm not a monetarist or a neo-liberal. I never was. We have to stop talking about change when we can't deliver it. So far we have managed to change Brazil and we will continue."

A former Marxist-leaning university professor, Mr. Cardoso was exiled under during much of the 1970s by the 1964-1985 military regime. Taking up

Continued on Page 16

## 'The Squid' Challenges Economic Big Fish

By Jeb Blount

**R**IO DE JANEIRO — In Portuguese, his name means "squid." And from the way much of the country's business and political groups are reacting to his seven-year run for the Brazilian presidency, he might as well be a Jules Verne-style sea monster ready to wrap his tentacles around the sinking ship of state.

Luis Inácio Lula da Silva — known to all by the nickname that is now part of his legal name, Lula — and his left-wing presidential bid have become one of the biggest challenges yet to Brazil and the region's rapid embrace of free-market economic reform.

An economic nationalist, backer of radical social reform, Lula, leader of the Workers Party, was until recent weeks the front runner in the Brazilian presidential elections.

For his supporters, such a challenge has been long in

coming. Lula, they believe, is their best hope to change an economic system where the big fish regularly gobble up the small fry.

"Lula is the only one talking about the problems that really affect the people," said Luiz da Sousa, a Rio de Janeiro office clerk. "We have to change the system."

For his enemies, a Lula victory means the end to five years of economic reform. "Lula is an obsolete leftist of the statist variety," said a Rio de Janeiro political science professor, Helio Jaguaribe. "He promises a lot but I don't think he really understands what he's talking about or the cost of doing what he and the party want to do."

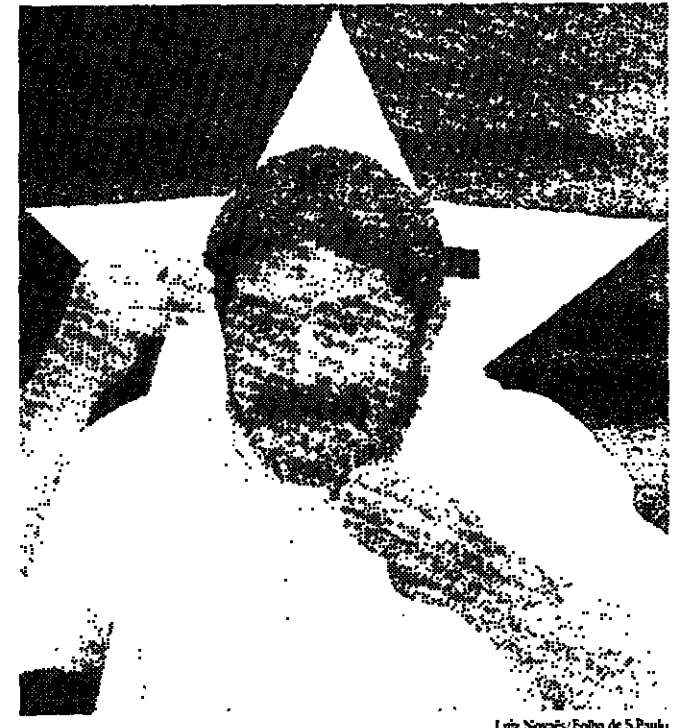
Lula's main claim to popularity is his outsider status. In a country where politicians, even those of humble origin, have historically cultivated a refined appearance and florid oratory, Lula flaunts his working-class roots. A former lathe operator and trade union activist, he

lost a finger in an industrial accident and was not fully literate until early adulthood. Bearded, portly, his speech inflected with a lisp and throaty growl, he struggled with his conscience before agreeing to handlers' requests that he occasionally wear a suit and tie.

Lula made his name in the late 1970s as a union organizer in the tough "ABC" factory sector of São Paulo and was jailed and harassed by the 1964-1985 military regime for his activities. Since his narrow presidential loss in 1989 to Fernando Collor de Mello, he has been campaigning almost non-stop. In the last two years he has toured much of the country, which is the size of the continental United States, along rotten roads in a bus.

"Unlike the other candidates, I think Brazilians see him as a worker," said Richard Foster, editor of the Brasília-based newsletter Brazil Watch. "They see him as the candidate

Continued on Page 16



Does Lula still have time to recapture the lead?

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## A Special Report

## The Brazilian Economy

## Mercosul: A Boost for Trade

By Andrea Fornes

**S**AO PAULO—On Jan. 1, Brazil and its neighbors at the southern cone of South America plan to form a common market that will unite 200 million people in a regional economy worth more than \$800 billion.

The Mercosul accord signed this month, which will initially include Brazil, Argentina, Paraguay and Uruguay, has the potential of doubling trade among the four countries in five or six years, analysts said. Chile and Bolivia may be next to join.

As the biggest economy in Latin America, Brazil has the most to gain. Trade within the Mercosul countries now comprises 15 percent of its total trade—an amount equal to that of Asia. After the accord takes effect, and tariffs on many products fall to zero, the momentum of intra-regional trade can only increase.

Brazil's trade with Argentina, for example, has nearly quadrupled since 1990, when leaders in the region first began to discuss forming a common market. It is now the second biggest market for Brazilian exports after the United States. By the end of the year, growing links in the automobiles, auto parts, tex-

tiles, plastics and electrical machinery will expand bilateral trade to \$4 billion, nearly eight times the amount in 1986. Brazilian entrepreneurs are expected to invest some \$150 million in Argentina in 1994, even though Argentina's per capita income of \$6,050 is more than twice Brazil's \$2,700.

The idea of a regional customs union was first considered by Brazil and Argentina in the 1940s, but the idea was never implemented. The two countries tried again in 1986, but an accord could not be signed because both countries were chiefly exporters of primary products.

Mercosul will help Latin American countries escape legacies of protectionism and statist governments. After being labeled "union of the poor," in comparison with the trade blocs of the northern hemisphere, Mercosul is gaining respectability. Trade among the Mercosul countries has quadrupled since 1990 to nearly \$10 billion.

The trade agreement can also open the doors for its members to join the American and European trade blocs. Argentina, with gross national product of \$253 billion, expects an opportunity to join the United States, Canada and Mexico in the North American Free Trade Agreement. South

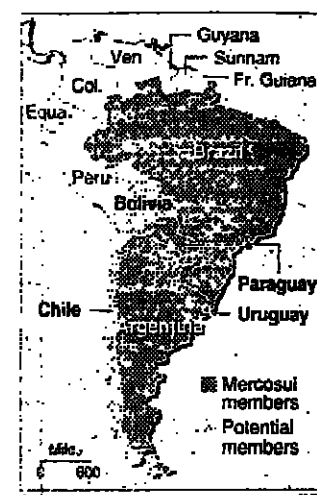
and North American representatives will discuss the idea further with President Bill Clinton of the United States during the summit meeting of the Americas in December in Miami.

"Argentina is ready to join NAFTA," Argentina's president Carlos Menem said recently. "But we cannot appear as the needy asking to be allowed in. When they invite us, we'll be there. And if they invite all of Mercosul, all the better."

Chile, whose \$40 billion economy is also a likely NAFTA candidate, is angling to join Mercosul. Lima has established tight ties with Brazil and Argentina, its third and fourth biggest trading partners. Mercosul markets already take more than 40 percent of Chilean output.

Brazil is a long way from joining NAFTA, but the push its economy gets from Mercosul will add to growing trade links with the United States. Melvyn Levitsky, the U.S. ambassador to Brazil, said in an interview that bilateral trade could soar 36 percent, to \$19 billion this year. "The success of Plano Real will allow Brazil to be stronger and more stable and to honor its international responsibilities," he said.

Mercosul will begin as a customs union, with trade among the four member countries tariff-free and unified tariff rates



applied to imports from other countries. These will vary from 0 to 20 percent, depending on the product. Each country also will present its own list of exceptions.

The trade pact also mentions the necessity of gradually coordinating macroeconomic policies, a process that would further the region's integration into the global economy.

"Brazil is starting to realize its potential as a player in global markets after so many years of closing its markets to foreign trade and investment," Mr. Levitsky said. "NAFTA and Mercosul will soon form the basis to create a free trade zone covering all the Americas."

ANDREA FORNES is foreign editor of *Folha de São Paulo*.

## Foreign Investors Start to Pour In

By Lawrence Malkin

**N**EW YORK—On Wall Street last year they were talking about the Mexican Miracle. Now it is the Brazilian Bonanza. Both countries offer a hopeful if uncertain outlook for reform, demand strong nerves as elections approach, and are key regional economies with opportunities for the long term.

"Last year I was in Brazil and there was nothing but pessimism; that has turned around," said William R. Rhodes, vice chairman of Citicorp. With the prudence of one who spent a decade unwinding Latin American debt as the chief negotiator for U.S. banks, he advised: "What is important now is to be selective. In Brazil as in anywhere else, you have to know the country, the industry and the company."

Money has started flowing back into Brazil with the initial success of July's anti-inflation program and the issue of the real, Brazil's sixth and, it is hoped, last new currency in a decade. This capped a half-year in which Brazil became the last and largest Latin American debtor to restructure its foreign debt, which totaled

\$49 billion, and its finance minister and architect of the stabilization plan, Fernando Henrique Cardoso, resigned to run for president. The World Cup soccer victory helped, too, in building confidence.

As the polls reported Mr. Cardoso pulling ahead of the socialist candidate, Luis Inácio Lula da Silva, the São Paulo stock market shot up 30 percent during the first six weeks of the reform program. Much of this was based on little more than hope that Mr. Cardoso would be elected, privatize industry and reorganize the nation's finances to reduce its chronic budget deficit.

But foreign investors "are starting to be more positive and they are afraid of being caught short if Brazil really does work things out," said Michael Iwanski, chief financial officer of Garantia Inc., the New York brokerage subsidiary of Brazil's most profitable investment bank. He says foreign money is flowing into about 15 blue chips in steel, banking, retail trade, auto parts, utilities, and telecommunications.

Howard J. Leonard, Brazil portfolio manager for Templeton Funds, says "Companies have done a doggone good job of doing business in a horren-

dous environment, so imagine what they would do in a good one." He sees Brazil as a country rich in entrepreneurial vitality and natural resources like the United States in the 19th century. "Who knows what more is to be found?"

In financial terms, the luck of Brazil's sheer size makes it

**Companies have done a good job of doing business in a horrendous environment, so imagine what they would do in a good one.**

an inevitable magnet for capital. It is virtually impossible for investors to structure a Latin American portfolio without Brazil, said Moises Naim, the former Venezuelan industry minister who now is a senior fellow at the Carnegie Endowment in Washington.

The "wave of money" pouring into emerging markets from pension funds and savings in the industrialized countries in the northern hemisphere has been voracious, he said, but has been scaled back by the attraction of rising interest rates in Europe and the United States. What he cannot predict is whether the rates will pose a financing problem for emerging countries "because investors may prefer less risk for a good reward in the industrialized countries."

So far that is not the case, said Pedro Pablo Kuczynski of Westfield Capital in Miami, which is seeking to place \$250 to \$300 million in Latin American bonds by investing directly in individual businesses on behalf of Salomon Brothers and other investment funds.

Just back from a visit to Brazil, Mr. Kuczynski, a former industry minister in Peru, said direct investment is preferable for any country because portfolio investment can always flow out as hot money. Of last

year's estimated \$20 billion worth of direct investment in Latin America, he said about half went to Mexico and only about \$3 billion to Brazil even though it is Latin America's largest market.

"That sum will increase dramatically to \$7 or \$8 billion if the election proceeds in an orderly way and Brazil gets its fiscal house in order," Mr. Kuczynski said. "By that I mean ending subsidies to the north and simplifying taxes—and I know because I once ran a business in São Paulo and was subject to 56 different taxes."

"Companies need capital because they are straining their capacity, and investors are just waiting for the political outlook to clarify."

Mr. Kuczynski believes that if Mr. da Silva wins the election Brazil's outlook would dampen because he would have to reward his union supporters. But Mr. Rhodes of Citicorp prefers to "look past the election, and perhaps future elections, to Brazil's future with all of Latin America." He added: "Economic integration is the way for Brazil."

As for the North American banks, the free-wheeling loans to governments that exploded as the Latin American debt bomb of 1982 will never return. Banks are raising money for specific projects and clients. Citicorp's Brazilian subsidiary has just returned to the Eurodollar market to raise \$60 million over three years for Brazilian businesses.

The future for international banks, said Mr. Rhodes, lies with a new technique called co-financing to underwrite badly needed infrastructure loans to public utilities. Unlike the balance of payments loans of the 1970s, their projects have a specific and accountable rate of return. Badly burned in the debt crisis, the banks are pushing a solution devised by Mr. Rhodes in which the World Bank or other public lenders would examine a project and put up perhaps one-quarter of the money. With this seal of approval, the banks would then lead the rest of the money.

LAWRENCE MALKIN is the New York bureau chief of the *International Herald Tribune*.

## Election Is Seen Improving Prospects for Privatization Plan

By Conrad de Aenlle

**N**ICE work if you can get it, might be the best way to describe Brazil's program to privatize state industry. The companies that have been freed from governmental control have shown immediate and substantial improvement in their operations, only there just haven't been that many of them for a country as large as Brazil, in the opinion of consultants and analysts who follow developments there.

"It is essentially stalled; it's been very slow in developing," Rodney Lord, editor of Privatization International, said of the program. "There have been a number of substantial sales. In that sense it has been modestly successful, but once Collor was replaced by Itamar Franco, Collor being very much in favor of privatization and Franco's position being equivocal, the program was bound to move forward much more slowly."

Under Fernando Collor de Mello, Brazil disposed of state assets worth \$3.55 billion.

Mr. Lord said. During the Franco administration, the value of privatized companies was \$3.24 billion.

"At the beginning of the year they said there were 36 companies that were going to be privatized this year, including 19 in the petrochemical sector," said Elizabeth Morrissey, an emerging markets specialist at Kleiman International Consultants. But none of them went ahead. "Over the last several months, there were several offers that just failed; there were no takers," she said.

Among the sales that fell through for want of buyers were a 23 percent stake in an electric power company by the state of Espírito Santo and an 80 percent interest in a copper company called Mineração Carajás. A report by the Lehman Brothers investment bank notes that the latest failure marked the third time the government had tried to sell the interest in Mineração to the public.

The privatization program "has got to wait until everyone's sure the new economic plan's

working and inflation's going to be minimal," Ms. Morrissey said.

"Everything's been put on hold until after the election," she added. What gives analysts and officials hope that the program will move ahead is the recent surge in opinion polls of Fernando Henrique Cardoso ahead of the Oct. 3 vote.

"The privatization mood in the country is gaining a bit of momentum, given that Cardoso is clearly leading in polls now," said Emily McLaughlin, who follows events in Brazil for the fund management company Foreign & Colonial Emerging Markets.

Noting that most of Brazil's leading businesses are state owned, she said: "There will have to be a lot of toing and froing within the government over whether authorities will bite the bullet and relinquish control. If Cardoso is elected I would expect this issue to come under the spotlight relatively quickly."

The privatizations that have been accomplished so far "have gone very well indeed," Ms. McLaughlin said. "We've seen enormous im-

provement in terms of the way they operate." The sales of three steelmakers, for instance, "have been very well received by the market and have been hugely successful. They are very well run; management has proven its mettle."

If the political will and economic means can be found, the next batch of privatizations is likely to come in three industries: electric power, oil and telecommunications.

The challenge will be in selling off the petrochemical companies. These made up more than half of the ones that were supposed to have been sold this year.

Because of the strategic nature of any country's energy sector, some developing nations are reticent to let those industries fall into private hands. Ms. McLaughlin believes that after the state's electricity and telecom concerns are let go, "then the biggest battle will be over oil," and the debate will begin on privatizing the giant state monopoly Petrobras.

CONRAD DE AENLLE writes about economic and financial subjects from Paris.

## A Winter Chill Hits the Coffee Market

**T**HE frost damage to Brazil's coffee crop this winter is thought by many not to have been as costly as the government has estimated. But even if the worst estimates prove accurate, Brazil's decreasing reliance on agriculture in general and coffee in particular will ease the pain of the blow. In fact, Brazil may even turn a profit from its misfortune, thanks to the perverse nature of commodity markets and the people who trade on them.

The Brazilian government late in July estimated that 10.7 million, 60 kilogram bags of coffee from the 1995-96 crop would be lost due to frost, or roughly 40 percent of the 26.4 million bags of arabica coffee originally expected to be harvested. (The 60 kilogram, or 132 pound, bag is the standard unit of exported coffee.)

The extent of the damage to the crop and, more important for the longer term, to the trees themselves is difficult to gauge because the affected crop will not mature for more than a year.

"It depends upon the severity of the frost," explained Bob Hafer, director of research at the Knight-Ridder Commodity Research Bureau. "If it's severe enough, it can actually kill the trees. There's no way of knowing what the impact of this cold snap was until two or three years."

Even so, the coffee markets in New

York and London expected the worst. In mid-July, traders swooning from a speculative fever wrought by the Brazilian frost pushed the price of coffee futures more than three times higher than the levels at which they had been trading.

Coffee for September delivery climbed past \$2.70 per pound on the New York Coffee, Sugar and Cocoa Exchange, after having hovered around 75 cents per pound before the freeze.

The tripling in the futures market should have given traders representing Brazilian coffee interests ample opportunity to lock in high prices for the goods they will deliver in coming years, probably more than enough to make up for the portion of the crop lost to frost.

"I'm sure Brazil will come out ahead if they were hedging, selling around \$2.70," said Walter Spilka, a trader in tropical commodities for ED&F Man. "They would have made large amounts of money to offset what they'll lose in the cash market. They're sophisticated traders."

More sophisticated, most likely, than those who were buying as the price spiked higher. Since topping out at \$2.74, the September futures contract has fallen back to around \$1.83.

"What the market is saying right now is that what was a damaging frost probably is not as severe as originally estimated," Mr. Spilka said.

The dizzying price fluctuations reflect the importance of Brazil in the world coffee market. In the year through June, Brazil exported 1.1 million bags of coffee, according to the World Coffee Organization, an industry group. That represents 18 percent of the world's total coffee exports and 26 percent of the exports of high-grade arabica coffee.

Brazil's total ranks a close second to the 1.18 million bags exported from Colombia. The two countries are by far the biggest exporters and so dominate the market that the coffee organization's summary of figures lists Brazil, Colombia and "all other arabicas."

While Brazil supplies a critical portion of the world coffee crop, that crop is becoming increasingly less important to the Brazilian economy as the country expands its industrial capacity.

"Like many emerging markets, you go through a natural process of economic diversification to manufactured goods, and Brazil has been a key example of this," said an economist for an international development organization.

Between 1991 and 1993, the value of Brazil's coffee exports fell from \$1.5 billion, or 4.7 percent of the country's total exports, to \$1 billion, or just 2.6 percent of exports, according to figures compiled by the Brazilian central bank.

Conrad de Aenlle

## 'The Squid' Takes On Big Economic Fish

Continued from Page 15

with the greatest likelihood of changing the system."

The biggest charge against him is his lack of experience. Lula has never been elected to public office.

"We are breaking a big barrier," Lula said in an interview. "I don't think many people know Brazil like I do. The elite who have been receiving bribes to build roads and bridges don't have any right to talk about experience. I want another type of government."

The 1989 loss, however, had a moderating effect on Lula's message. He now talks about partnerships between private industry and the state rather than ending capitalism.

Other countries such as Argentina, Chile and Mexico have moved more rapidly than Brazil on economic reform and have seen their economies pull out of nosedives. Under Collor, Brazil joined the rush to privatize state-owned companies, reduce trade barriers, balance its budgets, and renegotiate staggering foreign debts.

But, four years later, more than 35 percent of Brazilians still earn less than the \$65 minimum monthly wage, five

million primary-school-aged children don't attend classes and social services are in collapse.

To correct such problems, Lula calls for a sharp increase in the minimum wage, the creation of five million more places in public primary schools, and the possible return to state ownership of already privatized companies, increased tariff protection for Brazilian industry, incentives for the manufacture of consumer goods, the restriction of foreign capital, an increase in subsidies for small and medium-sized agriculture, the disappropriation of farms and estates for the settlement of landless peasants and the urban poor, and a re-negotiation of Brazil's foreign debt.

"I don't want to talk about the false modernism of neoliberalism pushed by the developed countries," Lula said. "The worker is paying the price for this. If we don't resolve the problems of hunger, unemployment and lack of education now, we won't solve them in 100 years."

Mr. Cardoso's vice presidential running mate, Marco Maciel, comes from the Liberal Front-Party, which is linked to the nearly feudal ruling classes that control the plantation-dominated economies of the northeast and Brazilian interior.

Lula accuses Mr. Cardoso of selling out to the right-wing "elites with links to the military."

Mr. Cardoso, however, says the times call for a broad coalition. "Why should we be

## Real Plan Holds Key To Cardoso's Future

Continued from Page 15

residence in the United States, he wrote long papers critical of neo-imperialism, the doctrine that says that European and American commerce is really a new form of colonialism.

In the interim, however, his ideas have changed, and he is now a Social Democrat in the mold of France's François Mitterrand or Spain's Felipe González.

Mr. Cardoso's positions have attracted powerful allies across the spectrum of Brazilian politics. While his party is squarely positioned on the center left, much of the country's right wing has attached itself to his party for lack of a viable candidate and out of fear of Lula.

Mr. Cardoso's vice presidential running mate, Marco Maciel, comes from the Liberal Front-Party, which is linked to the nearly feudal ruling classes that control the plantation-dominated economies of the northeast and Brazilian interior.

Lula accuses Mr. Cardoso of selling out to the right-wing "elites with links to the military."

Mr. Cardoso, however, says the times call for a broad coalition. "Why should we be

ashamed," he said. "The country is in crisis. It is like an economic war. What we are doing is exactly what Israel did in times of difficulty and England did during the Second World War. We need consensus."

Mr. Coelho also admits that the campaign needs the Liberal Front because of the weakness of Mr. Cardoso's party in the northeast, a Lula stronghold and the second largest population area after the Rio de Janeiro-São Paulo-Belo Horizonte dominated industrial regions to the south.

But if his platform is long on the need for economic reality checks, it is short on specific promises. And according to most analysts, promises, not calls for economic restraint, are what win Brazilian elections.

"I want the plan to work, but I'm not sure it will," said Alexandre Barros, a Brasília-based political risk analyst. "The plan may work in the beginning, but several months are a long time in politics. Cardoso has everything riding on the real and people must be convinced that they are better off if he is going to win."

Job Blount

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# The U.S. Open Calls

## Sampras Finds Retiring Isn't His Style

## Vantage Point

This is the event that brought Sampras his first Slam title in 1990, when he became its

you to death. If the other guy isn't at the top of his own game, he's sure not going to beat Pete."

**Canada's Rowan Donaldson, left, won 75-kilogram boxing gold at Commonwealth Games; Alison Inverarity of Australia set a high jump record.**

Brits' loss was one of two mishaps for South Africa during a track and field

In a semifinal heat of the men's 400

Australia's Lisa Campbell beat Cana-

said.

1990

[illegible]







# MONDAY SPORTS



A jubilant Luc Leblanc celebrating victory on Sunday.

## Leblanc Wins Cycling Title For France

Compiled by Our Staff From Dispatches

AGRIGENTO, Sicily — Luc Leblanc of France won the men's professional road race at the World Cycling Championships on Sunday by finishing nine seconds ahead of what was left of the international pack.

Italy's Claudio Chiappucci was second, outpacing another Frenchman, Richard Virenque, who was third, and an Italian teammate, Massimo Gheirrotto.

Breaking away from Ghirrotto in the last two kilometers as the road climbed up from the valley of Greek temples, Leblanc completed the 251.75-kilometer race in torrid weather in 6:33.54.

Only 56 of the 170 riders completed the exacting course in the heat.

A Russian, Dmitri Konichev, placed fifth, 15 seconds behind Denmark's Rolf Sorensen edged Lance Armstrong, an American and the defending champion, for sixth place.

In seventh place, Armstrong finished 48 seconds behind the winner. Unlike the French and Italian contenders, he was not supported by teammates in the last decisive laps because they were all left far behind or withdrew from the race.

The 28-year-old Leblanc gave France its first men's road title since Bernard Hinault's victory at Sallanches in 1980. The world championship road race, which is the only race of the year conducted for national instead of sponsored teams, was dominated by France and Italy.

Leblanc was not among the favorites in the closing event of the world championships. Until this race, he had a single victory this season — in the 11th stage of the Tour de France, in which he finished fourth overall.

The Italians dominated throughout the day but faltered in the critical stages. At one point, Italy had six riders in a leading group of 23, but Sorensen undermined their chances with constant attacks in the last 35 kilometers.

As each of his moves was quelled, the Dane would attack again. His final bid for victory was checked on the finishing climb as Ghirrotto and Leblanc closed in.

As Sorensen faded, Leblanc raced away to finish in tears, waving his arms before falling into the embraces of his supporters and his wife, Maria.

"I was not worried when Sorensen attacked. I knew it would be best to wait until the second half of the climb," Leblanc said.

The leader of the Festina team based in Andorra this year, the Frenchman has signed a contract to race next season with a new French team, Groupement. The third-place finisher, Virenque, also rides for Festina.

Although France was known to have a team in top strength and condition, its performance Sunday was unexpected and set French fans shouting with joy. Italian fans, on the other hand, were crushed.

They had high hopes of a third road-race title in four years, especially in their own country. In the end, only Chiappucci's unquenchable energy salvaged something with his silver medal to conclude the world championships. (AP, Reuters)

## Schumacher Stripped of Belgian Grand Prix Title

The Associated Press

SPA-FRANCORCHAMPS, Belgium — Formula One officials Sunday disqualified Michael Schumacher in the Belgian Grand Prix because of a rules infringement and gave his victory to runner-up Damon Hill.

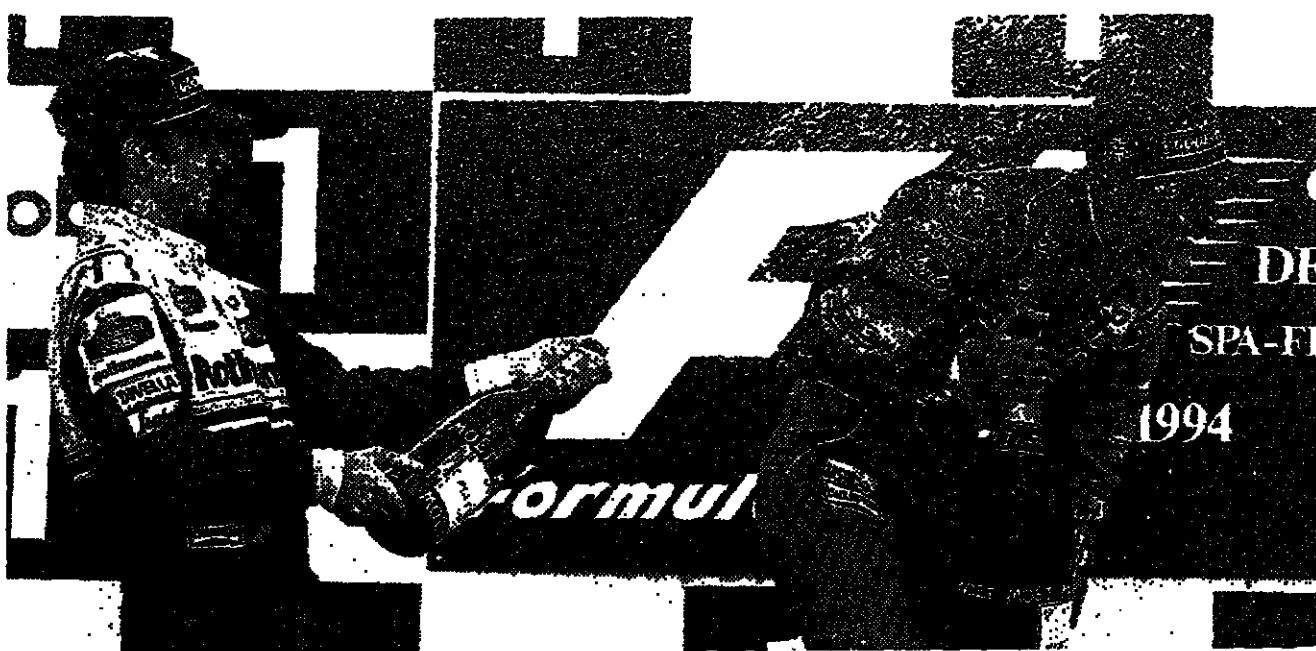
The decision opened up the world championship chase, hours after Schumacher had seemingly put a lid on it with a perfectly good win, which would have been his eighth in 11 races.

But race stewards ruled that a mandatory wooden plank under his car, aimed at slowing down drivers, did not meet legal measurements because it was either too thin or too light, giving him an unfair edge over competitors.

"Stewards of the Belgian Grand Prix have decided to inflict a penalty on Benetton Ford and driver Michael Schumacher of exclusion from the event," a spokesman for the international racing federation, Tom Walkinshaw, said four hours after the race.

The crude wooden board was introduced into the high-technology sport halfway through the season following the death of Ayrton Senna of Brazil and Roland Ratzenberger of Austria at the San Marino Grand Prix in May.

Now the German can only hope the guardians of Formula



Damon Hill's champagne bath for Michael Schumacher, right, was premature, as Hill was later awarded the victory.

One won't cut his drive for a first world title any further on Tuesday when they will decide whether to suspend him for another infraction. His Benetton Ford team also is under investigation for another violation.

Now, instead of leading the world standings with 86 points and a massive 35-point gap over

Hill, Schumacher has 76 points and his challenger 55.

An appeal on a two-race suspension for disregarding a black flag at the British Grand Prix will be heard in Paris on Tuesday. It could keep him out of the upcoming Italian and Portuguese Grand Prix races. If Hill wins those races, the margin

could be cut to one point with three Grand Prix races to go.

The German dominated Sunday's race to such an extent that even a sloppy spin failed to bring competition within striking distance. Schumacher cruised to victory 13.663 seconds ahead of Hill.

The spin could have shaved

some wood from the board, which is 30 centimeters wide, one centimeter thick and running the length of the car. The car is allowed to lose one millimeter during the race.

Because of Schumacher's disqualification, McLaren Peugeot driver Mika Hakkinen of Finland moved into second place,

ahead of Schumacher's teammate, Jos Verstappen. Hill's Williams Renault teammate David Coulthard was fourth.

Schumacher, who took the lead on the first lap and only briefly gave it up for a pit stop, finished the 44-lap run on the wooded 7.135 kilometer (4.433 mile) circuit in 1:28:33.508 minutes, averaging 208.705 kilometers per hour.

"It's a terrific result," he said before the bad tidings were announced. His eighth win would have put him only one shy of the one-season record Nigel Mansell set in 1992 and would have equaled the mark of the late Ayrton Senna.

Schumacher, cheered on by thousands of Germans from just across the border, had a fast start and seemed to run away with the race early on.

"My personal fan club was here," said a delighted Schumacher. "I can only thank them."

It seemed that all he had to do was put his car on cruise control for another easy win when he made an unexpected spin in the 18th lap. He came too high on the curb of a slow corner, spun 360 degrees, but immediately went on his way again, having lost only seven seconds of his 25-second lead.

## Scotsman Triumphs In Germany

The Associated Press

DUSSELDORF, Germany — Colin Montgomerie withstood a challenge by the home favorite Bernhard Langer on Sunday and won the \$975,000 German Open, the Scotsman's second straight triumph on the PGA European Tour.

Montgomerie, who won the Murphy's English Open last week, had a 2-under-par 70 to finish at 19-under-269, spilling a charge that saw Langer get to within a stroke of the lead after seven holes.

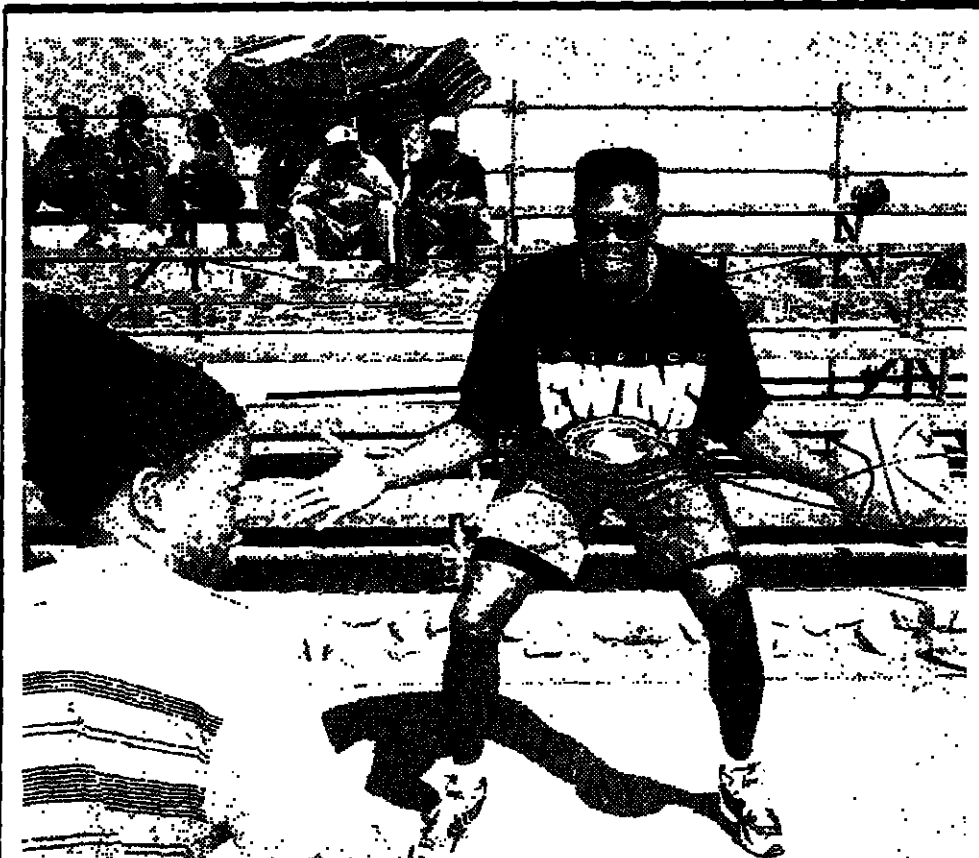
Langer, seeking his record sixth German Open title, began the day three strokes behind, but three quick birdies got him into contention.

Montgomerie, the leading money-winner on the European tour, birdied on the 8th, 12th and 13th holes to rebuild his edge. He was able to overcome two late bogeys because Langer only managed to par out from the 13th hole on.

"I was tired coming in," Montgomerie said. "People said I was mad to come here. Hopefully I proved them wrong."

Montgomerie, the Spanish Open champion and one of three players to qualify for an 18-hole playoff for the U.S. Open title won by Ernie Els, won \$180,000 to increase his earnings in Europe this year to more than \$800,000.

Langer, who opened the tournament with a 69 to fall six shots off the lead on a record-breaking day for scoring, finished with a 4-under 68 on his fourth trip over the wind-blown 6,793-yard course.



BRING IT ON — Patrick Ewing, the all-star center for the New York Knicks, challenged a young competitor at a basketball clinic in a township north of Johannesburg. A group of National Basketball Association players are touring South Africa.

## The IRS Gets Lucky With a Horse

The Associated Press

SARATOGA SPRINGS, New York — Devil His Due, seized from a New Jersey estate by the Internal Revenue Service, earned the government \$77,000 with a second-place finish in the Whitney Handicap at Saratoga Race Course.

Devil His Due, just a head behind winner Colonial Affair in the 14-mile race on Saturday, was entered in the \$350,000 stakes after the IRS posted a tax lien against Lion Crest Stables of Mahwah, New Jersey.

"The IRS is interested in getting back taxes it's owed," said Kevin McKoon, an IRS spokesman. The stables are owned by Edith LiButti, the

daughter of a Saddle River, New Jersey, man accused of owing \$3.2 million in income taxes. The government claimed LiButti concealed his assets by putting businesses in other people's names, including his daughter's at Lion Crest.

Devil His Due, a contender for Horse of the Year honors in 1993 with nearly \$2 million in winnings, won the \$350,000 Suburban Handicap at Belmont Park last month.

But Mr. McKoon said the government did not plan to get into the horse-racing business and would sell Devil His Due soon, applying the proceeds and any winnings in the meantime to what LiButti owes in taxes.

## On Time, on Budget, Atlanta Tells IOC

The Associated Press

PARIS — The competition schedule for the 1996 Summer Olympics in Atlanta has been put into place.

Atlanta organizers submitted the schedule Sunday to the executive board of the International Olympic Committee, with only the timing of the track and field events still to be finalized.

"This was a big step," said Billy Payne, chief of the Atlanta Committee for the Olympic Games. "It allows us to make our plans in terms of ticketing, in terms of further transportation planning, volunteer deployment, and really launches a bunch of other incremental issues."

Atlanta is staging 16 days of competition — from July 20 to Aug. 4 — in 26 sports. Some 10,000 athletes will compete in a total of 271 events. A series of test events in 18 of the sports will be held in July and August next year, Payne said.

Payne said the final track and field schedule should be completed in the next few months after consultations with the technical delegates of the International Amateur Athletic Federation.

Track and field events are scheduled for July 27 through Aug. 3, with the men's marathon set to be held before the closing ceremony on the evening of Aug. 4.

Officials also briefed the IOC on general progress in construction, transportation and marketing.

"We told them we're still on schedule and on budget," Payne said.

Payne also gave the IOC the "broad parameters" of the July 19 opening ceremony, which he

said should emphasize the athletes — "the real stars of the show." The first full outline of the ceremony will be presented to the IOC in December, he said.

Savannah has been confirmed as the site for yachting.

Anita DeFrantz, the U.S. member on the executive board, asked Atlanta officials to confirm that the Savannah Yacht Club is not connected in any way to the Olympic competition. The club has been accused of racial discrimination in its membership practices.

Also briefing the IOC board Sunday were organizers of the 1998 Winter Games in Nagano, Japan, and the 2000 Summer Olympics in Sydney, Australia.

Nagano organizers were surprised by a request from IOC president Juan Antonio Samaranch to consider adding snowboarding to their program of sports. Nagano, which agreed previously to add curling and women's ice hockey, said it would study the request, which involve extra costs.

Sydney introduced its recently-appointed executive director, Gary Pemberton.

"It was pretty straight forward," he said. "We've got no big issues, no decisions. It was just a matter of reporting in a fairly routine way what was happening."

With the close of executive board meetings Sunday, the Centennial Olympic Congress takes center stage here this week. After the arrival of the Olympic flame Monday afternoon and the opening ceremony Monday night, officials from around the world will spend four days debating the future of the 100-year-old movement.

## SIDELINES

### Dawes Sweeps Gymnastics Medals

NASHVILLE, Tennessee (AP) — Dominique Dawes has become the United States' newest golden gymnast.

Dawes added four individual gold medals to the all-around title she won this weekend at the National Gymnastics Championships, becoming the first gymnast to sweep all five medals since Joyce Schroeder did it in the AAU nationals in 1969.

The Gaithersburg, Maryland, standout beat the two-time world champion Shannon Miller of Edmond, Oklahoma. Miller won silver medals in each individual event after finishing second in the all-around.

### Kingdome Not Ready for Seahawks

SEATTLE (NYT) — The Seahawks will probably play at least two of their first home games at Huskie Stadium because repairs to the Kingdome, which resulted in the deaths of two workers on Aug. 19, will not be completed in time for their home season opener against San Diego on Sept. 18.

Gary Wright, the Seahawks' vice president of administration, said the team would meet with city officials and representatives of the Kingdome on Wednesday to determine a timetable for when the team could return to the stadium.

### Drummond Ends Christie's Streak

RIETI, Italy (AP) — John Drummond of the United States upset the Olympic and world champion Linford Christie of Britain in the 100-meter dash Sunday at the Rieti Invitational track and field meet.

Drummond's meet-record time of 9.99 seconds matched his personal best and easily outpaced Christie, who finished in 10.06. It also puts an end to Christie's string of dominance at international meets. The Briton turned in the year's second-fastest time of 9.91 in winning the 100 at the Commonwealth Games on Thursday.

### Holding a Lofty Football Standard

MINNEAPOLIS — Warren Moon, the Vikings quarterback, and Jeff George, his counterpart for the Atlanta Falcons, have some heavy records to keep up with this season. Moon has passed for more yards than any other quarterback in professional football history. In 16 seasons in the Canadian

Football League and the NFL, Moon has passed for 54,913 yards, or 32 miles. Since 1990 he has a 62 percent completion rate.

Meanwhile, Atlanta quarterback Jeff George enters the season with 202 straight passes without an interception. His 1.5 percent interception rate last season was third-best in the NFL. He had only six interceptions in 407 attempts and threw only two interceptions in his last 361 attempts.

### For the Record

Rui Filipe, the Portuguese soccer star, was killed early Sunday when the car he was driving crashed near the northern town of Porto, where his first-division team is based. (Reuters)

Japan's volleyball team beat the United States on Sunday at the Tokyo meet of the women's volleyball World Grand Prix. (AP)

Brian Watts, of the United States, shot a 67 Sunday to win the 100 million yen (\$1 million) Hisamitsu-KBC Augusta Golf Tournament in Shimadzu, Japan, for his third triumph of the season. (AP)

Monica Seles, absent from the professional tennis circuit for nearly 16 months, says she is still thinking about tennis but is reluctant to say when she will return. (AP)

Jennifer Capriati is moving with her family from the Tampa, Florida, area to Palm Desert, California. A year ago, the teen-age tennis sensation Jennifer Capriati bowed out of the U.S. Open in the first round at the hands of unheralded Lela Meskhi. The time since then has been spent in turmoil for the 18-year-old, who was apprehended in February on a shoplifting charge and in May on a charge of marijuana possession, a misdemeanor. (LAT)

Bert Yancey, a professional golfer for more than 30 years, collapsed and died Friday while practicing for a Senior Tour event in Park City, Utah. He was 56. (AP)

Jamie Brandon, a 23-year-old former basketball player for Louisiana State University, is free on \$150,000 bond after being accused of kidnapping and raping a former girlfriend. (AP)

### Quotable

• Todd Woodbridge, who has been doubles champion at Wimbledon the past two years with his partner Mark Woodforde, is hoping to qualify for singles' competition at the U.S. Open: "I don't call myself a doubles specialist and it does annoy me a little bit that people think of me like that. I'm a full-time player and not a one-game specialist."

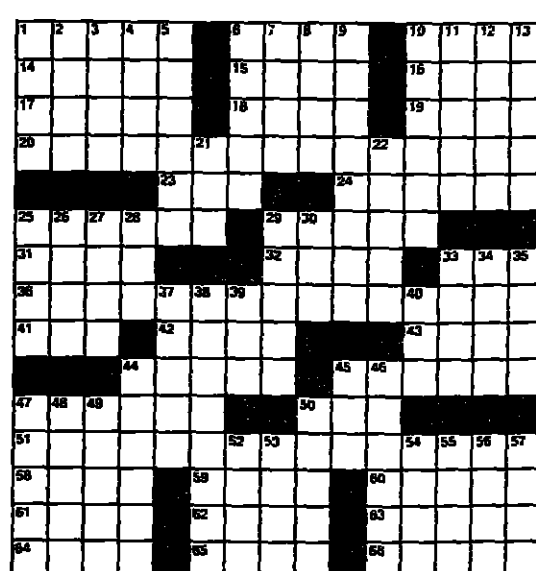
## CROSSWORD

### ACROSS

- 1 Battle of 1836
- 6 Snoozes
- 10 Read, as bar codes
- 14 Actress Linda
- 15 Song for one
- 16 Tropical food plant
- 17 "Great!"
- 18 Shaker contents
- 19 — European

### DOWN

- 2 Rarely
- 3 Zero
- 24 They use lassos
- 25 Product with Ammonia-D
- 26 Inexplicably
- 27 Counterpart of Mars
- 28 Kind of cow, dog or horse
- 29 Hercules Poirot's pride
- 30 Feminizing suffix
- 31 The last word?
- 32 Cones
- 33 TV secretary
- 34 New York's island
- 35 Wide's partner
- 36 Surrenders
- 37 Double-reed woodwind
- 38 "The Wind in the Willows" character
- 39 Something to fall back on?
- 40 Blunder
- 41 Addison contemporary
- 42 Richard
- 43 Plopped (down)
- 44 Peace maker
- 45 Like some enemies
- 46 No-no
- 47 Eschew
- 48 Cuba's Castro
- 49 Had on
- 50 "—, Caesar!"
- 51 Ice chunk
- 52 South American capital
- 53 "Honest" one and namesakes
- 54 Essence



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Solution to Puzzle of Aug. 26

GOLF+ SUB SPAS  
AVERSIONS STREP  
GEOGRAPHIC AROSE  
ERO NOIS EMBELIC  
STYIED DOESAWORK  
TWA NAP  
PISTIL STABBERS  
UNSTACK NAUSEA  
GOASHORE OSTEND  
RES LIET  
OTOCALKS BEEPS  
LISPOIN TILJALALI  
NECUR SWEELARAT  
NEARS TOWELSIZE  
EARN EES •HEAD

EBEL  
the architects of time



## LANGUAGE

## Stay-Backs, Prebriefs and Memory

By William Safire

WASHINGTON — When the general counsel of the Treasury Department, Jean E. Hanson, characterized a conversation she held with Bernard Nussbaum, then the White House counsel, as a "stay-back from the Waco prebrief," she inadvertently opened the gates to heavy linguistic investigation.

Hanson, a veteran New York lawyer not heretofore known for a poor memory, established a record in the farrago of forgettery. However, lawyers these days are advised by other lawyers never to say: "I don't remember"; it sounds evasive. Five times in one day did she invoke the more artful phrase: "I do not have an independent recollection" of events recounted in her own memoranda earlier this year. A Harvard law professor, Charles Ogletree, informs me this means "recollection without aid or assistance."

The phrase, not yet in Black's Law Dictionary, is usually followed by the testimony that some incontrovertible document "seems to be correct"; if not, the questioner uses the verb *refresh*, as in the 1946 New Yorker cartoon supplied to me by Professor Monroe Freeman of Hofstra University, showing a lawyer sitting on a witness's lap and saying: "Does this, by any chance, refresh your memory, Mr. Fillgale?"

George Stephanopoulos, President Clinton's chief policy aide, tried a variation when a calendar was produced showing him in a meeting with Treasury Secretary Lloyd Bentsen: "I have no specific memory of the meeting." The qualifier *specific* protects the witness from the assertion that he doesn't remember it at all. Neil Eggleston, an assistant White House counsel, noted the word's legal resonance when he told a senator: "I don't have any specific recollection, and I don't mean that as a word of art."

Senator Alfonse D'Amato, Republican of New York, noted with some asperity that Bentsen's chief of staff, Joshua Steiner, was backing away from forthright observations written in his diary, as in his report that Stephanopoulos said of an investigator: "Find a way to get rid of him." Observed the senator: "Words have meaning, Mr. Steiner." However, he then said that he found it "incredulous" that the aide would try to refute his own diary. *Incredulous*, from the Latin *credere*, "to believe," means "unwilling to believe"; *incredulous* means "hard to believe." There is a difference: I am *incredulous* at your incredible statement. The senator could find backing for his usage in Shakespeare's comedy "Twelfth Night" — "no incredulous or unsafe circumstance" — but even the complaisant Merriam-Webster's Dictionary of English Usage suggests we restrict *incredulous* to its "disbelieving" sense.

You think it's being a pedant to insist on a difference between *imply*, "to hint," and *infer*, "to draw a conclusion from"? (Correct: I infer that you are implying I am a pedant.)

Representative Pete King, Republican of New

York, noted that White House Counsel Lloyd Cutler testified that nobody at the White House "ever told him or implied" that the White House was negotiating limits on an investigation. But he charged that Deputy Treasury Secretary Roger Altman's diary "had that inference." Wearily, Altman replied: "One could argue that there is a difference between *implied* and *inferred*. I don't know." He does now.

What's a stay-back? This is apparently a fresh political term: I have been unable to find it on any of my data bases except as a name. However, we have a clue in the development of the verb "to drop by," or pay a brief visit, to the political noun *drop-by*, as in "I won't attend his embarrassing event, but maybe I'll do a drop-by when photographers have gone." A similar construction goes from the verb "to pull aside," to the diplomatic noun, a *pull-aside*, which means "a private meeting at a public event." A *stay-back*, which I hyphenate on the analogy of the above terms, means "a meeting after a meeting, as some of the participants remain behind," according to a Treasury source speaking on stay-background.

A *prebrief*, "information disseminated before an event," is the opposite of *debrief*, which is spilled afterward. Both are both nouns and verbs. Both began as Pentagonese, with *prebrief* launched in 1982 ("extensive prebriefs and sequential reviews within the Component"). Lawyers picked it up: "A trial brief gives you the ability to *prebrief* the judge," Mark A. Dombroff wrote in a 1983 Legal Times. It is now White House jargon for "a briefing held before a presidential trip or meeting to enable the press to understand its significance."

The main controversy in this early stage of Whitewater is the propriety of the Treasury Department's giving the White House advance notice of a criminal referral from its ward, the Resolution Trust Corp., to the Justice Department. To those who think the notification gave the Clintons an advantage that other witnesses or suspects do not enjoy, the warning was a *tip-off*, or *alarm bell* or *inside information*; to the president's defenders, the location for the controversial alert was a *heads up*.

That term was given exhaustive analysis in this space a year ago, when the deputy director of central intelligence went to his boss, Robert Gates, to — in his words — "give the director a *heads up*," that the attorney general would be calling. Although one adjectival sense is "alert," *wide-awake*, as in a player of "heads-up ball," the usage most common today is the noun for "warning."

The White House choice of *heads up* was adept; it carries the connotation of innocent alert that any political outsider would give another, lest he get hit in the head by hardball tactics.

New York Times Service

## Backed by Hollywood, Arau Starts 8th Life

By Guy Garcia

NAPA, California — The fabled vineyards of the Napa Valley in California shimmer under the midday sun as Alfonso Arau swoops between the green rows of grapes and flaps his arms like a butterfly. Holding an oval paddle of gossamer cloth in each hand, the acclaimed director of "Like Water for Chocolate" bends his knees and does a slow, undulating dance as he leads the cast in a rehearsal for his new film, "A Walk in the Clouds." When the scene, which takes place at night during a sudden frost, is actually shot, the nocturnal gloom and billowing clouds of smoke from smudge pots will add an ethereal dimension.

"It will be like a dream," explains Arau, who also sees the moment as a mating dance between the two central characters. "At one point, they will face each other," he says, moving his hands as if underwater, "and it will be like they are making love."

Arau is a proven virtuoso at transforming human passion into luminous metaphors. In the 1993 film "Like Water for Chocolate," the young heroine's strong emotions have a habit of flavoring her cooking, causing people who eat her food to break into torrential tears or emit literal sparks of desire. Since its release last year, the film has earned \$21.6 million in the United States alone, making it the highest-grossing independently produced foreign film of all time in the United States.

A youthful 62, Arau is enjoying his success with the measured pride of a seasoned show-biz veteran. Before he directed "Like Water for Chocolate" — which was based on the best-selling novel by his wife, Laura Esquivel — the former ballet dancer and Sam Peckinpah protégé had already tasted fame as an actor and stand-up comic, been the host of his own television variety show, and toured Europe and Latin America as a mime. "It has been a long career — like seven lives," he says.

Now, Arau is back behind the camera, directing his first full-scale Hollywood feature. And while the stakes are high, he remains relaxed. Yet he knows that film history is littered with the oeuvres of talented foreign directors who were gobbled up by the studios, only to see their artistic stock plummet.

"It was very scary, accepting the offer from Hollywood," Arau says, "because you hear all these stories about how the studios kill every new



Mexican director Alfonso Arau, on location in the Napa Valley.

director, how they hire directors because of their success and then try to change them, making them conform to a commercial formula. That hasn't happened in my case."

Based on Alessandro Blasetti's 1942 film, "Four Steps in the Clouds," "A Walk in the Clouds" is set in the fictional California vineyard of Las Nubes (The Clouds), immediately after World War II. Keane Reeves portrays Paul Sutton, a returning GI who falls in love with Victoria Aragon, the daughter of a wealthy Napa vineyard owner.

As in "Like Water for Chocolate," the two lovers are separated by circumstance and convention, in this case, Victoria's disapproving father, who is played by Giancarlo Giannini, and Paul's estranged wife. Prevented from consummating their love, Paul and Victoria's emotions are expressed through

the sensual rituals of the wine harvest and the transcendent beauty of the northern California landscape.

Arau admits that superficially at least, there are thematic similarities between "Like Water for Chocolate" and his newest film.

He says he auditioned more than 300 actors and actresses before settling on a cast that includes the Spanish actress Aitana Sánchez-Gijón as Victoria; Freddie Rodriguez, a young Puerto Rican actor from Chicago, and the Mexican actresses Angelica Aragon and Evangelina Elizondo. At the last moment, Anthony Quinn signed on as Don Pedro, the patriarch of Las Nubes.

While Arau defends the director's prerogative to cast anyone he wishes in a role, he also feels a personal responsibility to try to hire Latinos whenever possible. In fact, Arau agreed to direct the film on the condi-

tion that he be allowed to change the ethnic identity of the vineyard owners. The original script "was about an Italian family in Napa," Arau recalls. "I liked the idea of the old values, the family, the vineyard and the earth. I told the producers I would like to change the story and make it about an upper-class Mexican family, because it was closer to my own experience."

Arau also wanted to send a positive message to American audiences who have been bombarded by negative images of Mexicans.

Arau has spent most of his life going after what he wanted. The son of a Mexico City dentist, he was studying to be a doctor when he fell in love with a ballerina. "I started to visit her at the ballet," he recalls, "and one day I made a crazy move. I left medical school and became a ballet dancer."

At the same time, Arau was studying drama at the University of Mexico and beginning a career as an actor. In 1959, he left Mexico for Cuba, where he was the star of his own television variety show, "El Show de Arau."

Five years later, Arau decided "it was time to go" and he moved to Paris, where he studied pantomime. At the end of the 60s, he returned to Mexico and directed his first film, "The Barefoot Eagle."

Soon afterward, Sam Peckinpah arrived to film his 1969 western, "The Wild Bunch." Peckinpah, who gave Arau his first role in an American film as Lieutenant Herrera, the right-hand man of the murderous General Mapache, took a liking to the young actor. "Peckinpah knew that I had just directed my first film the previous year, so he kind of adopted me," Arau recalls.

"Like Water for Chocolate" was his sixth film. He and Esquivel mortgaged their home to help raise the roughly \$2 million budget, which was large by Mexican standards. To Arau's surprise, the film went on to become an international hit.

But it also took a toll on his 18-year marriage. He and his wife divorced last year. "It was like a terrible price that I had to pay for this success," Arau reflects. "But life is mysterious. Life gives you a lot, and life takes a lot from you at the same time."

Guy Garcia, the author of "Obsidian Sky," an anthropological mystery set in California and Mexico, wrote this for The New York Times.

## WEATHER

## Europe

	Today	High	Low	Temp	Wind
Algeria	26/32	19/26	27/30	19/26	C
Amsterdam	17/22	12/23	16/20	14/27	pc
Antwerp	22/27	14/27	21/28	16/21	pc
Athens	29/34	22/31	24/28	24/25	pc
Basel	23/24	22/21	26/22	20/26	pc
Berlin	21/28	20/19	21/28	19/26	pc
Birmingham	20/28	18/24	21/28	19/26	pc
Bombay	29/34	22/31	24/28	24/25	pc
Buenos Aires	19/26	11/23	21/27	10/20	pc
Budapest	20/28	18/24	21/28	19/26	pc
Cairo	29/34	22/31	24/28	24/25	pc
Copenhagen	18/24	14/18	19/24	14/18	pc
Dallas	22/27	14/27	21/28	16/21	pc
Dublin	16/21	11/12	17/22	14/18	pc
Edinburgh	15/20	12/13	16/21	11/20	pc
Frankfurt	21/28	19/26	21/28	19/26	pc
Geneva	24/27	15/26	20/26	15/23	pc
Hamburg	17/22	11/22	17/22	14/18	pc
Helsinki	15/20	12/13	16/21	11/20	pc
Istanbul	27/30	20/28	27/30	21/20	pc
Los Angeles	27/30	20/28	27/30	21/20	pc
London	18/24	14/18	19/24	14/18	pc
Lyon	21/28	19/26	21/28	19/26	pc
Moscow	24/27	15/26	20/26	15/23	pc
Munich	20/28	18/24	21/28	19/26	pc
Nairobi	29/34	22/31	24/28	24/25	pc
New York	22/27	14/27	21/28	16/21	pc
Osaka	29/34	22/31	24/28	24/25	pc
Paris	22/27	14/27	21/28	16/21	pc
Rangoon	29/34	22/31	24/28	24/25	pc
Rio de Janeiro	22/27	14/27	21/28	16/21	pc
Rome	21/28	19/26	21/28	19/26	pc
San Francisco	15/20	12/13	16/21	11/20	pc
Seoul	29/34	22/31	24/28	24/25	pc
Shanghai	29/34	22/31	24/28	24/25	pc
Singapore	29/34	22/31	24/28	24/25	pc
Sydney	22/27	14/27	21/28	16/21	pc
Taipei	29/34	22/31	24/28	24/25	pc
Tokyo	29/34	22/31	24/28	24/25	pc
Washington	22/27	14/27	21/28	16/21	pc
Yokohama	29/34	22/31	24/28	24/25	pc

Forecast for Tuesday through Thursday, as provided by Accu-Weather.



**North America**  
Showers will dampen the Great Lakes states and Ontario into Wednesday. Washington, D.C., through Boston will likely have showers at midweek. Thunderstorms will douse steamy Florida; a tropical storm may form in the western Gulf of Mexico. Pacific coast weather will be settled.

	Today	High	Low	Temp	Wind
Bombay	29/34	22/31	24/28	24/25	pc
Buenos Aires	19/26	11/23	21/27	10/20	pc
Cairo	29/34	22/31	24/28	24/25	pc
Dallas	22/27	14/27	21/28	16/21	pc
Dublin	16/21	11/12	17/22	14/18	pc
Edinburgh	15/20	12/13	16/21	11/20	pc
Frankfurt	21/28	19/26	21/28	19/26	pc
Geneva	24/27	15/26	20/26	15/23	pc
Hamburg	17/22	11/22	17/22	14/18	pc
Helsinki	15/20	12/13	16/21	11/20	pc
Istanbul	27/30	20/28	27/30	21/20	pc
Los Angeles	27/30	20/28	27/30	21/20	pc
London	18/24	14/18	19/24	14/18	pc
Lyon	21/28	19/26	21/28	19/26	pc
Moscow	24/27	15/26	20/26	15/23	pc
Munich	20/28	18/24	21/28	19/26	pc
Nairobi	29/34	22/31	24/28	24/25	pc
New York	22/27	14/27	21/28	16/21	pc
Osaka	29/34	22/31	24/28	24/25	pc
Paris	22/27	14/27	21/28	16/21	pc
Rangoon	29/34	22/31	24/28	24/25	pc
Rio de Janeiro	22/27	14/27	21/28	16/21	pc
Rome	21/28	19/26	21/28	19/26	pc
San Francisco	15/20	12/13	16/21	11/20	pc
Seoul	29/34	22/31	24/28	24/25	pc
Shanghai	29/34	22/31	24/28	24/25	pc
Singapore	29/34	22/31	24/28	24/25	pc
Sydney	22/27	14/27	21/28	16/21	pc
Taipei	29/34	22/31	24/28	24/25	pc
Tokyo	29/34	22/31	24/28	24/25	pc
Washington	22/27	14/27	21/28	16/21	pc
Yokohama	29/34	22/31	24/28	24/25	pc

Legend: s-sunny, pc-partly cloudy, c-cloudy, sh-showers, t-thunderstorms, r-rain, sk-snow, flurries, sn-snow, ice, W-weather. All maps, forecasts and data provided by Accu-Weather, Inc. © 1994

## Asia

	Today	High	Low	Temp	Wind
Bangkok	29/34	22/31	24/28	24/25	pc
Beijing	29/34	22/31	24/28	24/25	pc
Hong Kong	29/34	22/31	24/28	24/25	pc
Manila	29/34	22/31	24/28	24/25	pc
New Delhi	29/34	22/31	24/28	24/25	pc
Seoul	29/34	22/31	24/28	24/25	pc
Shanghai	29/34	22/31	24/28	24/25	pc
Singapore	29/34	22/31	24/28	24/25	pc
Taipei	29/34	22/31	24/28	24/25	pc
Tokyo	29/34	22/31	24/28	24/25	pc

## Africa

	Today	High	Low	Temp	Wind
Algiers	29/34	22/31	24/28	24/25	pc
Cairo	29/34	22/31	24/28	24/25	pc
Casablanca	29/34	22/31	24/28	24/25	pc
Johannesburg	29/34	22/31	24/28	24/25	pc
Lagos	29/34	22/31	24/28	24/25	pc
Nairobi	29/34	22/31	24/28	24/25	pc
Windhoek	29/34	22/31	24/28	24/25	pc

## North America

	Today	High	Low	Temp	Wind
Anchorage	17/22	12/13	16/21	11/20	pc
Chicago	21/28	19/26	21/28	19/26	pc
Denver	21/28	19/26	21/28	19/26	pc
Detroit	21/28	19/26	21/28	19/26	pc
Houston	21/28	19/26	21/28	19/26	pc
Los Angeles	27/30	20/28	27/30	21/20	pc
Madrid	27/30	20/28	27/30	21/20	pc
Mexico City	27/30	20/28	27/30	21/20	pc
New York	22/27	14/27	21/28	16/21	pc
Phoenix	29/34	22/31	24/28	24/25	pc
San Francisco	15/20	12/13	16/21	11/20	pc
Seattle	15/20	12/13	16/21	11/20	pc
Toronto	22/27	14/27	21/28	16/21	pc
Washington	22/27	14/27	21/28	16/21	pc

## Mystery Writer Finds Rich Soil in Unglamorous Newark

New York Times Service

NEWARK, New Jersey — The sky hung low and opaque, cut by rows of dull wire towers. Market Street was teeming with sweaty bodies and vendor carts. Inching down the sidewalk, Walter Wilson Wesley absorbed the complex rhythms of Newark, memorizing each detail.

In the city's disorder and decay, Wilson Wesley sees rich material for murder mysteries. Her first, "When Death Comes Stealing," unfolds against the backdrop of the city's neighborhoods, which she hopes to harvest for a series of whodunits.

"Newark is such a survivor," she said on a recent walk through the crumbling Central Ward. "There is so much to write about here, and it's all uncovered ground."

In "When Death Comes Stealing," published last month, the author describes Newark as "an old fighter who won't go down for the count." The book's heroine is Tamara Hayle, a black private investigator raising a son alone. The plot: Someone is killing young black men. The twist: The

victims are sons of Hayle's shady former husband. With her own son's safety in mind, she resolves to find the murderer.

Like Newark, there is very little glamorous about Tamara Hayle. Other literary sleuths may write poetry and travel to Europe. She shops at Pajamark and commutes on the New Jersey Turnpike.

Hayle is a former Newark police officer who quit when another officer harassed a car full of black teenagers, including her son Jamal. The police are dismissing the murders as drug overdoses, leaving it up to Hayle to uncover the truth.

Wilson Wesley, 46, grew up in Connecticut and now lives in Montclair, a Newark suburb, with her husband and two daughters. Her husband, Richard, who grew up in Newark's Ironbound section, was the primary source for her book.

"We would drive around on Sunday afternoons and he would point things out," she said. "I have a sense of the inner workings of Newark, but I need to know the city more intimately."

As a mystery locale, Newark offered what the author was looking for: a working class, predominantly black population, high crime rate and various social issues.

Newark also has ghosts. The specter of the 1967 riots haunts Hayle.

"They say a city becomes a character, and that's what I want to do with this place," the author said